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## Semi-Annual Report to Congress for the Period of October 1, 1990 - March 31, 1991

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## Semi-Annual Report to Congress for the Period of October 1, 1990 - March 31, 1991

### Abstract

[Excerpt] In the six month period of this report, the resources of the Office of Inspector General have been focused on matters of significant and continuing concern within the Department of Labor. The audits and investigations conducted and reported in the following pages highlight problems and vulnerabilities in such areas as job training programs and funds, pension and welfare benefit plans, financial management, and criminal enforcement.

We have worked closely with the Assistant Secretaries and their staffs responsible for these and other programs and areas that have come under review. I am pleased with the cooperation which has been provided to the OIG during our inquiries and with the positive steps that have been taken to address several of the issues we have reported. Where unanimity as to the issue or best resolution has not been achieved, we have included in this report the dissenting views of management, together with our recommendations for action or improvement. In some cases, it is our opinion that legislative and/or regulatory changes must be made to correct specific inadequacies and we will closely follow management's efforts to improve these programs by such measures.

While we have made some progress in minimizing the restrictions placed on the investigative jurisdiction of the Inspectors General by previous legal opinions, this issue still requires legislation to remove any doubt as to the intent and expectations of the Congress in granting the Inspectors General investigative authority within their agencies. In concert with that responsibility, the need for statutory law enforcement authority for the OIG's criminal investigators has been clearly established. It is essential to the safe, effective, and efficient fulfillment of those duties.

In providing to the Secretary and the Congress our independent analyses of the Department of Labor's programs and operations, it has been our intent to furnish fair, accurate, and objective information and recommendations that will assist the Department's managers in fulfilling the responsibilities entrusted to us by the American people.

### Keywords

Office of the Inspector General, Department of Labor, audit, employee integrity, fraud, Congress

### Comments

#### Suggested Citation

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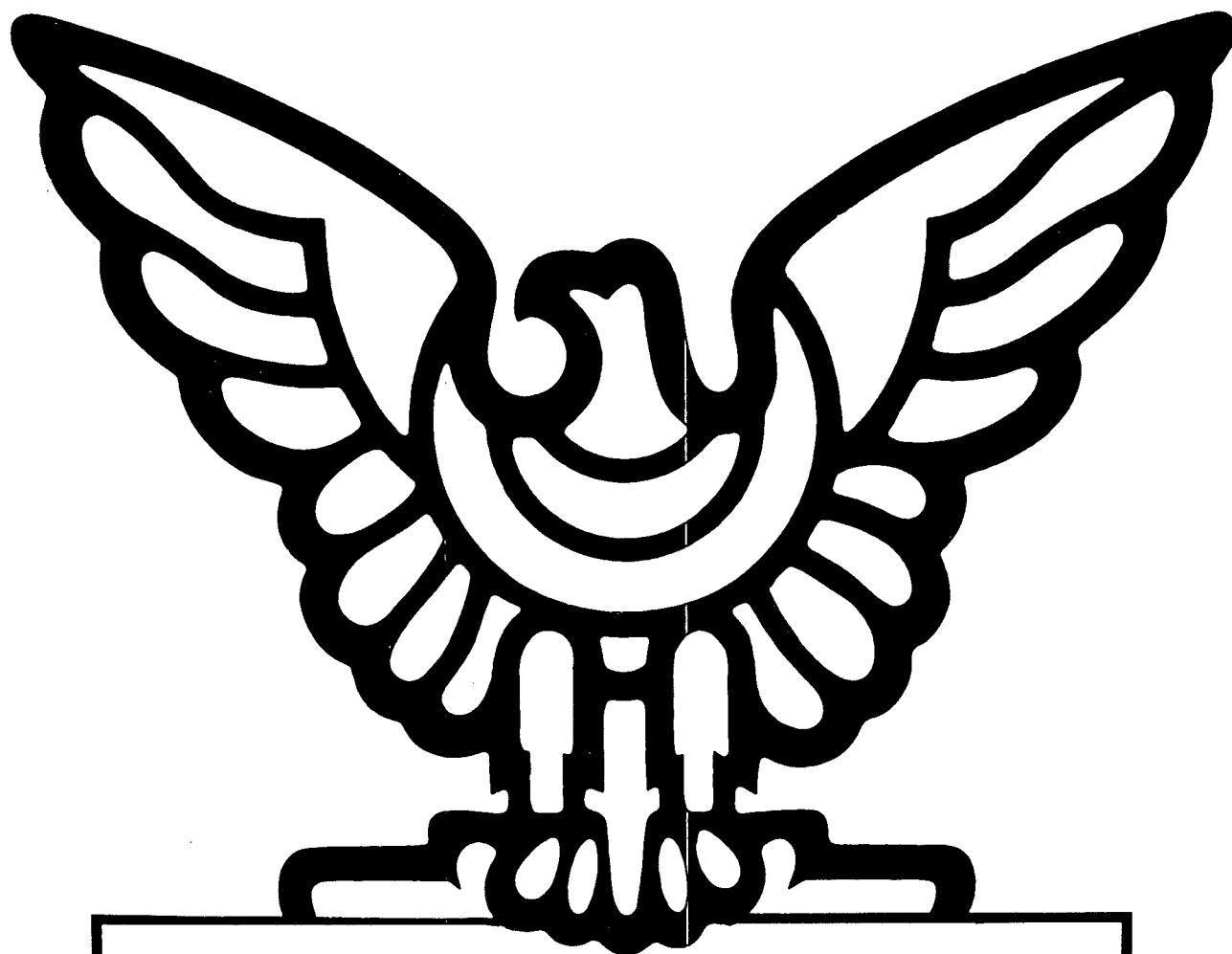
# **Semiannual Report Office of Inspector General U.S. Department of Labor**

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U.S. Department of Labor  
Office of Inspector General

October 1, 1990 - March 31, 1991



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# **Semiannual Report Office of Inspector General U.S. Department of Labor**

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U.S. Department of Labor  
Lynn Martin, Secretary

Office of Inspector General  
Julian W. De La Rosa, Inspector General

October 1, 1990 - March 31, 1991

## **The Inspector General's Message**

In the six month period of this report, the resources of the Office of Inspector General have been focused on matters of significant and continuing concern within the Department of Labor. The audits and investigations conducted and reported in the following pages highlight problems and vulnerabilities in such areas as job training programs and funds, pension and welfare benefit plans, financial management, and criminal enforcement.

We have worked closely with the Assistant Secretaries and their staffs responsible for these and other programs and areas that have come under review. I am pleased with the cooperation which has been provided to the OIG during our inquiries and with the positive steps that have been taken to address several of the issues we have reported. Where unanimity as to the issue or best resolution has not been achieved, we have included in this report the dissenting views of management, together with our recommendations for action or improvement. In some cases, it is our opinion that legislative and/or regulatory changes must be made to correct specific inadequacies and we will closely follow management's efforts to improve these programs by such measures.

While we have made some progress in minimizing the restrictions placed on the investigative jurisdiction of the Inspectors General by previous legal opinions, this issue still requires legislation to remove any doubt as to the intent and expectations of the Congress in granting the Inspectors General investigative authority within their agencies. In concert with that responsibility, the need for statutory law enforcement authority for the OIG's criminal investigators has been clearly established. It is essential to the safe, effective, and efficient fulfillment of those duties.

In providing to the Secretary and the Congress our independent analyses of the Department of Labor's programs and operations, it has been our intent to furnish fair, accurate, and objective information and recommendations that will assist the Department's managers in fulfilling the responsibilities entrusted to us by the American people.

I am appreciative of the support and cooperation extended by Secretary Martin and her staff to the OIG in carrying out the responsibilities and obligations prescribed by the Inspector General Act of 1978, and I look forward to working closely with her to ensure that the Department of Labor remains a strong and vibrant voice for the American worker.



Julian W. De La Rosa  
Inspector General

## **Significant Concerns of the Inspector General**

During this reporting period, Office of Inspector General (OIG) audits and investigations questioned the effectiveness of many Department of Labor (DOL) programs and operations. The following are considered issues of significant concern because of their impact on the careful, efficient, and prudent use of the Department's resources.

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### **Misuse of Job Training Funds**

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The OIG has identified and reported on problems of accountability for Job Training Partnership Act (JTPA) funds. Audits and investigations determined that JTPA accountability is not adequately assured through the Single Audit Act and that JTPA regulations and program management need improvement.

A review of Single Audit Act (SAA) coverage of DOL funds, including JTPA, found serious shortcomings in audit coverage for JTPA fund expenditures and extensive problems with the quality of single audit fieldwork. The review concluded that there is a clear risk of gaps and inconsistencies in SAA coverage of DOL programs, particularly in JTPA. The Department also raised serious concerns about SAA coverage in the Secretary's report through the Federal Managers' Financial Integrity Act. These deficiencies significantly reduce the reliance that the Secretary of Labor and the Congress can place upon SAA audits of DOL programs.

The OIG recommends that legislation be reintroduced in the Congress to improve the Department's JTPA program and ensure that its resources are effectively utilized.

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### **Health Insurance Fraud**

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The OIG continues to investigate instances of fraudulent Multiple Employer Welfare Arrangements (MEWAs). These schemes result in tragic consequences for thousands of workers and sometimes their employers who are held personally liable for medical bills when MEWAs fail and expected health benefits are lost.

In an attempt to deal with this multi-State problem, the Department has introduced legislation in the past which would require registration for MEWAs. The OIG again recommends that such legislation be pursued as one means of combating this problem.

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### **Inadequate Pension/ Welfare Plan Audits**

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The OIG continues to be concerned about inadequate audits of the nation's private pension and welfare plans. Although some improvements have been proposed, the OIG recommends that the Department renew its legislative efforts to address this issue and other problems which remain unresolved.

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### **Full Law Enforcement Authority Needed**

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While the temporary deputization by the Department of Justice of some of the OIG's criminal investigators has proved beneficial in this reporting period, it has only been a palliative remedy and does not adequately meet the need for permanent law enforcement powers necessary to ensure success and credibility; moreover, the renewal process has proved to be both burdensome and inefficient.

Full law enforcement authority includes making arrests, serving search warrants, and carrying firearms -- in essence, the ability for OIG criminal investigators to conduct their investigations with the same tools and safeguards available to other law enforcement agencies. Until this authority is obtained, the safety of OIG's witnesses and agents remains a real and pressing problem.

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### **DOL Financial Management Problems**

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A key element to correcting the significant accounting and internal control problems in the Department's financial management systems is the new departmental accounting system, "DOLAR\$," which offers significant financial management improvements. Many of these improvements are now being realized, but many more remain to be achieved.

During this period, the OIG issued reports on the internal controls and reporting capabilities of the DOLAR\$ system. One OIG concern is that program and subsidiary systems information are not regularly reconciled with DOLAR\$ account balances. One of those systems is critical to the accurate reporting of DOL's financial status as it captures JTPA grant subsidies and contributions -- \$6.1 billion or almost 25 percent of DOL's annual expenditures in FY 1989. Although ETA began developing a replacement system to correct this deficiency, no funding has been made available for further development work.



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## **DOL Enforcement Program**

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Comprehensive studies of DOL's enforcement program and strategy were undertaken in 1990 by the OIG and a departmental task force which resulted in reports to the Secretary. These reports are under review and consideration. The OIG urges the development of an articulated enforcement policy which would include the use of appropriate investigative measures and criminal sanctions in addition to the traditional use of civil, administrative, and self-compliance methods. Such a policy should also establish the need for systems to measure efforts and results in all investigative areas and for coordination of investigations with appropriate agencies where necessary. The OIG also advocates the support of legislation which would create criminal sanctions, where warranted, as a deterrent to willful violations of DOL statutes.

# Executive Summary

## Job Training Partnership Act Problems

The OIG audits and investigation continue to disclose extensive financial and management problems in JTPA programs in Service Delivery Areas (SDAs) throughout the country ..... 19

For example, an OIG audit in the New Orleans SDA revealed that its systems for procuring and administration relating to its service providers were seriously deficient and has recommended that the ETA disallow \$6.4 million in costs incurred. In a similar case, the OIG has recommended that the ETA disallow the \$1.4 million a Florida SDA expended to establish computer instruction laboratories in which an average of only 6% of the users were certified JTPA participants ..... 19-22

Further, following an OIG investigation, conspirators in a scheme which defrauded the Government of \$5 million in JTPA funds pled guilty to individual charges including conspiracy, bribery, mail fraud, and filing false Federal income tax returns ..... 50

## Small Employer Health Insurance Fraud

Fraudulent multiple employer welfare arrangements (MEWAs) continue to plague thousands of American workers, their families and their employers with tragic, sometimes devastating consequences. For example, some 120 businesses and their employees were defrauded of \$500,000 in health insurance premiums and many individuals were left with unpaid medical bills and lost health insurance coverage in a scheme involving Cap Program, Inc. and Universal Staffing Associates. Six officers of the firm were arrested following a 42-count indictment. Another case involved the Boston and Atlanta third party administrators of Omni Employee Benefit Trust, a MEWA. The president of the Boston entity has pled guilty to an indictment charging him with involvement and conspiracy with numerous other administrators in a scheme which resulted in a total of \$4.3 million in unpaid claims ..... 58-60

## Unemployment Insurance Fraud

Millions of dollars may have been lost by 22 States as a result of a 20-year unemployment insurance fraud scheme involving fraudulent claims made on behalf of registered aliens residing in Mexico. In one State the losses exceeded \$4 million over a 2-year period ..... 49

## **Pension and Welfare Benefits Vulnerability**

The vulnerability to fraud and abuse of the nation's private pension and welfare plans remains a concern. The problems of inadequate audits by independent public accountants, lack of independent plan oversight, and the absence of a requirement that plans report significant ERISA violations have not yet been completely resolved. We have worked closely with PWBA in an effort to address these issues. The OIG's principal concern requiring congressional action in this program area is the need to eliminate the limited-scope audit exemption which allows plan administrators to exclude plan assets held by regulated banks and other financial institutions from the scope of the audit plan resulting in sporadic audit coverage and minimal ERISA compliance work. In a previous audit, we found that this exemption could allow up to 43 percent, or approximately \$774 billion in private pension plan assets to avoid audit examinations each year ..... 43-45

## **Problems with the Single Audit Act**

The OIG conducted a six-State review to determine the extent and quality of audit coverage afforded Department of Labor funds under the Single Audit Act. Statistically projecting these findings nationwide, serious shortcomings (particularly within JTPA programs) were found in audit coverage of fund expenditures and in the overall quality of single audit field work, especially at the subgrantee level. The OIG believes that these problems are significant and that they reduce the reliance that the Secretary of Labor can place on single audits as a tool to ensure that DOL grant funds are adequately protected ..... 13-18

## **Former Painters Union Officials Plead Guilty**

Six former painters union officials pled guilty to charges of enterprise corruption, bribery, and grand larceny by extortion associated with a 12-year pattern of controlling the affairs of the union along with members of the Luchese crime family ..... 63

## **DOL Financial Management Problems**

The OIG's oversight of the Department's new accounting system (DOLAR\$) recognizes improvements but continues to identify adverse conditions which may prevent the Secretary of Labor from ensuring the Department's compliance with statutory requirements ..... 11, 37-38

## **Clarification of OIG Investigative Authority**

The OIG continues to believe that a legislative amendment is necessary to clarify the Inspector General Act in order to resolve issues raised in the March 1989 opinion of the Department of Justice's Office of Legal Counsel. The OIG has proposed legislative language to the Department to clarify OIG authority as well as legislative language to amend The Comprehensive Crime Control Act of 1984 to clarify the scope of the Department's investigative authority ..... 65

## Selected Statistics

### October 1, 1990 - March 31, 1991

#### Audit Activities

Reports issued on DOL activities .....	234
Total audit exceptions .....	\$117.3 million
Funds recommended for better use .....	\$103.1 million
Reports issued for other Federal agencies .....	3
Dollars resolved .....	\$ 32.1 million
Allowed .....	\$ 10.3 million
Disallowed .....	\$ 21.8 million

#### Fraud and Integrity Activities

Allegations reported .....	518
Cases opened .....	312
Cases closed .....	390
Cases referred for prosecution .....	83
Cases referred to DOL agencies for administrative action .....	93
Individuals or entities indicted .....	148
Successful criminal prosecutions .....	123
Recoveries, fines, penalties, restitutions, settlements, and cost efficiencies .....	\$6.2 million

#### Labor Racketeering Investigation Activities

Cases opened .....	65
Cases closed .....	50
Indictments .....	61
Convictions .....	72
Fines .....	\$117,150
Forfeitures .....	\$29,295
Restitutions .....	\$868,044

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## Chapter 1

# Office of Audit

### *Introduction*

During this reporting period, 234 audits of program activities, grants, and contracts were issued. Of these, 38 were performed by OIG auditors, 29 by CPA auditors under OIG contract, 31 by State and local government auditors, and 136 by CPA firms hired by grantees.

Reports on significant audit resolution are contained in Section 3 of this chapter (page 40) and revised management decisions can be found in Section 4 (page 46). Money owed to the Department, audit schedules and tables, and a listing of final audit reports issued and resolved this period are found in Chapter 5 (page 69).

The OIG has reported in the last three semiannual reports problems of accountability for JTPA funds. The continued existence of such problems is substantiated in current JTPA audit work reported in this period (See Section 2 of this Chapter, page 19 and following). In both Fiscal Year 1990 semiannual reports the OIG recommended that the JTPA be amended to assure program and fund accountability.

In this reporting period, the OIG completed a review of Single Audit Act coverage of DOL funds, including JTPA. The conclusion of this review is that there is a clear risk of gaps and inconsistencies in the Single Audit Act's coverage of JTPA programs, particularly at the subgrantee level and below. This supports the serious concerns about Single Audit Act coverage raised in the Secretary's report through the Federal Managers' Financial Integrity Act (FMFIA).

### **Importance of Financial Management**

Strong financial management is critical to proper management and accountability for Government resources. At the Federal level, the Chief Financial Officers (CFO) Act of 1990 has given impetus to financial management improvements, including requiring annual audited financial statements. Audited financial statements are expected to provide a reliable and complete picture of the activities and accomplishments of Federal agencies. By presenting the results of management's

efforts, audited financial statements serve as a focal point to discipline underlying systems and manage the cost of Government.

The Federal Managers' Financial Integrity Act (FMFIA) requires management's recognition and reporting of potential significant problems. To comply, management control systems should ensure full and accurate reporting on the adequacy of the financial and program systems and also report corrective actions taken.

The significant amounts of Federal funds passed on to State and local governments must also be fully and carefully accounted for and, at the State and local levels, the Single Audit Act (SAA) is a primary tool for ensuring accountability and stewardship of DOL funds.

The DOL activities under these three laws provide critical supporting structures to assure strong and effective financial management of DOL programs and funds. These activities are briefly highlighted below.

### **Implementation of the Chief Financial Officers (CFO) Act**

The CFO Act has given impetus to improving Federal financial management and ensuring managers are held fully accountable for the resources entrusted to them. The Act establishes a CFO in major agencies, and requires the preparation of annual financial statements for many activities. Five agencies, including Labor, must prepare and audit consolidated financial statements for Fiscal Year 1991.

The Department has taken the lead in improving financial management and was the first cabinet-level agency to issue audited financial statements. The OIG has audited the Department's consolidated financial statements since Fiscal Year 1986.

The OIG is serving on two task forces established by OMB to develop implementing guidance for Federal agencies. One task force is addressing audit requirements, including specific internal control and compliance evaluation requirements. The second is addressing the form and content of the Federal financial statements. While form and content are critical to meeting the needs of many users, current guidance is limited.

The Department is making good progress in implementing the CFO Act. The Secretary has decided to establish a separate organization for the CFO. This will provide the visibility and

prominence needed for successful implementation of the Act. Separation from other management activities will serve to underline the importance of financial activities, and provide the Secretary with an independent voice on financial matters.

### **CFO: Audited Financial Statements in the Department of Labor**

The audit of the Fiscal Year 1990 financial statements is underway. The audit, which will be completed by June 30, 1991, will determine the reliability of the reported financial information. It also will provide data on the adequacy of the systems to generate financial information.

In this, the fifth year, the OIG has audited the Department's financial statements, management has taken a much more active role in the audit than in prior years. In the past, the OIG has had to compile the statements from management's records with little or no assistance from management. For Fiscal Year 1990, management has taken the lead in preparing both the annual Treasury reports and the financial statements. The OIG has provided a significant amount of technical assistance, including preparation of major components of the statements and assistance in closing the books for the period.

The Secretary released the statements on March 27, 1991. The OIG worked very closely with the departmental financial management staff in the preparation of these statements, and was able to transfer much of the knowledge gained from auditing the Department's statements to that staff. However, that staff is very small, which causes concern about its ability to fully take over this process by next year. A strong financial management staff, fully capable of preparing summary financial statements is needed and the Department has made a major stride toward this goal. The component program agencies also have shown a commitment to improving their financial reporting capabilities.

## **FMFIA Reports Highlight Internal Control Weaknesses**

The FMFIA process provides management's assessments of their control systems -- both program and financial. It is an important report in that the entire Department is assessed. Many of our audit findings, along with management's commitment to corrective action, are reported in the FMFIA report, which is issued annually.

The OIG reviews the annual report for completeness and accuracy. As part of its audits, the OIG determines the status of any corrective actions.

In the Department's most recent FMFIA report, there were two reported weaknesses department-wide: inadequate financial systems and management controls over the departmental enforcement activities.

Regarding enforcement activities, two independent studies issued in Fiscal Year 1990, the OIG's Report on DOL Criminal Enforcement and the Department's Report to the Secretary of the Task Force on Enforcement, identified weaknesses in the Department's enforcement activities.

The OIG's report concluded that the Department lacks a framework for evaluating criminal enforcement achievements and rarely uses criminal enforcement remedies. The OIG pointed out the Department's longstanding reluctance to recognize and use all the tools available for workforce- and workplace-related criminal enforcement at the Federal level.

The Task Force's report concluded that DOL needs a unified department-wide enforcement strategy with a threefold approach: voluntary compliance; detection, correction, and deterrence; and third party enforcement.

The FMFIA report established milestones and timeframes for the implementation of corrective actions. The OIG has initiated a review of the

implementation of the Task Force's recommendations and the corrective actions set forth in the FMFIA report. The OIG plans to report the results of this review to the Secretary in September.

Regarding the significant accounting and internal control problems in the Department's financial management systems, DOL management has committed to correcting these deficiencies, and has reported these problems in its FMFIA report. A key element is the new departmental accounting system (DOLAR\$), which offers significant financial management improvements. Many of these improvements are now being realized, but many more remain to be achieved.

On March 28, 1991, the OIG issued reports on the internal controls and reporting capabilities of the DOLAR\$ system. Although the new system promises significant improvement over the old one, several deficiencies relating to reconciling cash balances, reconciling subsidiary systems to the DOLAR\$ control accounts, and managing travel advances and contract obligation were identified. In addition, DOLAR\$ reporting capabilities need improvement. Management has committed to correcting these deficiencies. Many have already been resolved, particularly with respect to ensuring that the accounting system can generate the financial statement data.

One OIG concern is that program and subsidiary systems information are not regularly reconciled with DOLAR\$ account balances. One of those systems, ETA's Regional Automation System, is a 15-year-old system with numerous OIG-identified deficiencies. This system is critical to the accurate reporting of DOL's financial status since it captures JTPA grant subsidies and contributions -- an amount totaling \$6.1 billion, or approximately 25 percent of DOL's annual expenditures in Fiscal Year 1989. ETA began developing a replacement system to correct that. After more than 2 years of replacement system development by ETA, funding was denied for further development work.



## Single Audit Act: Reliance on Grantees' Reports

Because of the importance of the Single Audit Act (SAA) to the Department's responsibilities and concerns about the extent of coverage, The OIG undertook a review to determine the quality of SAA coverage for DOL programs. It specifically looked at the effect on the JTPA program.

The OIG performed a six-state review to determine the audit coverage afforded Department of Labor funds under the Single Audit Act of 1984, as implemented by OMB Circular No. A-128. The results of this review are discussed in detail beginning on page 13. In summary, however, the OIG review found serious shortcomings in audit coverage for JTPA fund expenditures and extensive problems with the quality of single audit fieldwork. Overall, the OIG concluded that these deficiencies in SAA audits relating to DOL (especially JTPA) program funds significantly reduce the reliance that the Secretary of Labor can place upon them.

## Single Audit Act: Impact of JTPA Program Criteria

The OIG also concludes, combining the results of the SAA coverage review with its extensive audit experience relating to JTPA, that some of the inadequacies revealed in Single Audit Act audits of JTPA funds are exacerbated by the ambiguous JTPA program criteria. Confusion exists relating to the application of JTPA criteria on cost limitations, cost classifications, accounting treatment for prior years' funds, and administrative requirements.

Additional detail, together with specific recommendations for changes in the Single Audit Act requirements relating to JTPA and recommendations for changes in JTPA regulations to make Single Audit Act coverage more meaningful and uniform, can be found on page 14.

# Office of Audit

## *Section 1*

### **Accountability Over DOL Funds Spent Below the Departmental Level**

The OIG's audit work this period continued to center on the Department's administration of DOL funds at all levels. As mentioned above, the passage of the Chief Financial Officers Act (CFO) of 1990, which requires annual audited financial statements for major Federal agencies, will improve financial management Government-wide. DOL has led the effort toward the strong accountability envisioned by the CFO Act.

However, the OIG's work this period has shown that accountability over DOL funds spent below the departmental level in the form of Federal financial assistance is inadequate, most notably in the JTPA program. The OIG found that the two prime vehicles for JTPA accountability -- the Single Audit Act and the JTPA statute and regulations themselves -- exhibited serious shortcomings in providing adequate control over Federal funds.

#### **Problems With Reliance on Grantees' Reports Under The Single Audit Act**

Over 85 percent of the Department's funds are expended by State and local governments. In auditing the Department's financial statements, the OIG relies upon the financial control systems of the States and other grantees to ensure that these funds are properly managed. Financial statement audits include a limited review (but not an audit) of the financial reports from grantees. Primary accountability for DOL funds should be provided by audits under the Single Audit Act (SAA), but the Secretary's Federal Managers' Financial Integrity Act (FMFIA) report raised serious concerns about the extent of single audit coverage, especially with respect to the JTPA program.

Since under the SAA coverage is affected by several interrelated variables, little can be determined about the degree of coverage provided to DOL program funds, primarily to JTPA. Variables include entity definition, the extent of sub-

granting and subcontracting, classification or nonclassification as "major Federal program," and the resultant effect of sampling design. Additionally, individual auditor's interpretations of and compliance with the Act and related OMB and AICPA guidance vary, as does the degree of cognizant agency oversight. Many of these variables are inherent in the single audit concept and do not necessarily represent quality deficiencies. Because of them, however, a clear risk of gaps and inconsistencies exists in coverage of DOL funds. While the report points out that audit coverage of JTPA funds at the direct recipient (State) and first subrecipient (SDA) levels is excellent, at the second subrecipient level and below audit coverage deteriorates.

Because of the importance of single audits to the Department's responsibilities and concerns about the protection it provides, the OIG undertook a review to determine the extent and quality of single audit coverage for DOL programs. It specifically looked at its effect on the JTPA program.

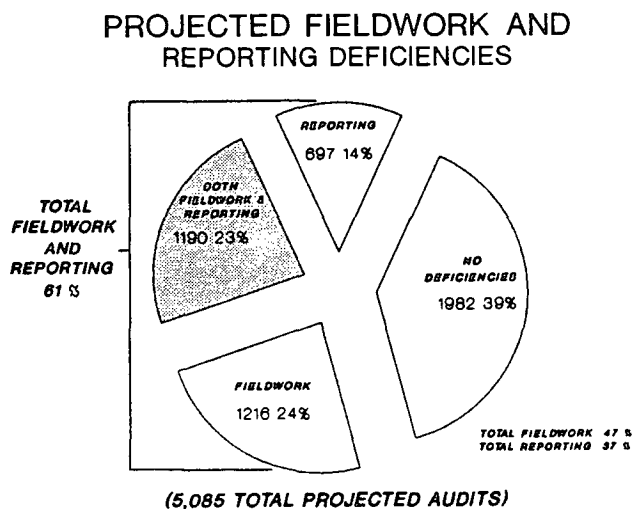
## DOL Single Audit Coverage (Audit Report No. 04-91-006-50-598)

The OIG completed a six-state review to determine the audit coverage afforded Department of Labor funds under the Single Audit Act of 1984, as implemented by OMB Circular No. A-128.

**Audit Coverage.** This review of a sample of Fiscal Year 1987 single audits showed serious shortcomings, especially in audit coverage for JTPA expenditures. For example, 34 percent (\$768 million) of JTPA expenditures either were not audited at all or received very limited audit coverage. Also, approximately 70 percent (\$226 million) of the expenditures for several smaller DOL programs either were not audited at all or received very limited audit coverage.

**Audit Quality.** It also found extensive problems with the quality of single audit coverage. Audits with either fieldwork or reporting problems encompass a significant portion of the \$4.7 billion in total DOL funds our sample allowed us to project.

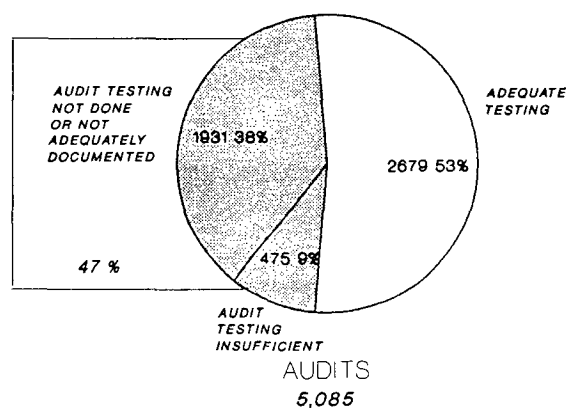
As shown below, based upon statistical projections resulting from the review of single audit reports and working papers, 61 percent of audits contained one or more deviations from auditing standards or requirements.



The OIG projected that 47 percent of the single audits had one or more fieldwork deficiencies. These projected deficiencies included instances in which required audit work was not done, not adequately documented or, in the OIG's opinion, not sufficient.

The chart below illustrates the OIG projection that 47 percent of the single audit working papers contained deficiencies.

**PROJECTED FIELDWORK DEFICIENCIES**



The OIG projected deficiencies in 38 percent of the audits in which required work was either not done or not adequately documented and in 9 percent in which, in OIG's opinion, audit testing was insufficient.

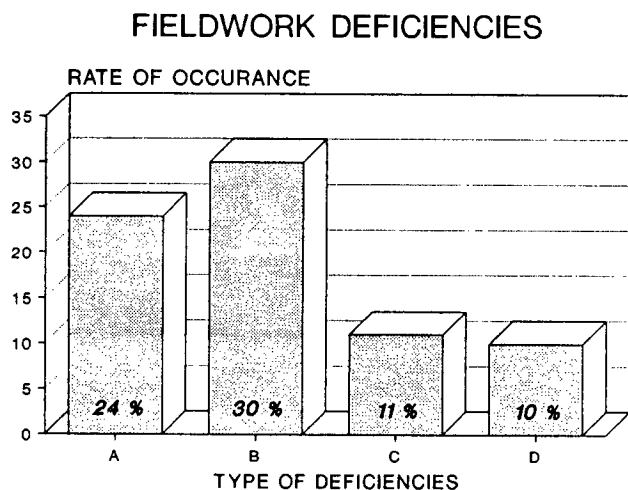
As audit working papers contained more than one type of deficiency, the sum of the four groupings total more than the projected overall fieldwork deficiency rate of 47 percent.

Fieldwork deficiencies may be grouped into four categories:

- A. Inadequacies in the auditors' studies and evaluations of the entities' internal controls (24%).
- B. Failure to comply with specific Federal program requirements (30%).
- C. Failure to comply with specific contract provisions related to performance-based contracts (11%).

D. Failure to adhere to appropriate cost principles and the appropriateness of audited entities' indirect cost charges (10%).

These are illustrated in the following bar graph.



The OIG projected that 37 percent of the single audit reports contained one or more reporting deficiencies. These deficiencies included required schedules and reports that were either missing, inaccurate, or incomplete.

Overall, it is the OIG's opinion that the fieldwork and reporting deficiencies are significant, and that they reduce the reliance that the Secretary of Labor can place on single audits of DOL funds. Single audit quality must improve in order for the Secretary to reasonably assure that she has satisfied FMFIA requirements to disclose and address internal accounting and administrative control problems.

ETA program officials expressed their inability to make use of financial information contained in single audit reports. The OIG's report found that financial information on individual DOL programs contained in single audit reports was often too consolidated and sometimes too inaccurate to be of value to DOL report users and report disclosures are not useful for DOL programs involving subrecipients.

The review showed numerous instances where DOL expenditures were inaccurately stated in the single audit reports or were not shown at all. In some cases, the entities' audit periods varied from the Federal grant periods and the limited financial information in the single audit report made reconciliation with Federal reports impossible. In many instances reported expenditures were misleading. For example, entities actually spent only a small percentage of DOL funds received, passing the remainder of the funds to subrecipients to spend. However, the single audit report showed, inaccurately, that the recipient spent all the funds.

**Impact of JTPA Program Criteria.** The OIG believes that ambiguous JTPA program criteria relating to administrative and support service cost limitations, program costs classification, accounting treatment for prior years' funds, and administrative requirements contribute to confusion and impair adequate accountability.

For example, JTPA regulations are not clear whether cost limitations apply to State recipients or to each of several service delivery area (SDA) subrecipients. JTPA regulations permit cost limitations to be avoided by allowing the entire cost of fixed-unit price, performance-based contracts (FUPCs) to be charged to training. JTPA accounting methods allow administrative costs to be shifted to future years, thereby circumventing administrative cost limitations. JTPA regulations allow State recipients to establish their own administrative requirements and cost principles rather than following the uniform guidance contained in OMB Circulars and required by most other programs.

This does not suggest single audits are of no benefit. In most instances, the only independent audit coverage DOL funds receive is that provided by single audits. However, to be useful, there is a need to improve coverage, disclosure, and quality of the examinations they provide. The OIG also believes that, by clarifying program criteria, the Department can make better use of single audits.

The OIG report recommended that the Secretary advocate to the Office of Management and Budget (OMB) or, if necessary, to the Congress, that single audit requirements be changed to provide:

- Revised definitions for determining major program in statewide audits and some required coverage of non-major programs in all OMB Circular No. A-128 audits.
- Identification, in the schedule of Federal financial assistance, of major programs examined.
- Identification of Federal funds actually examined and funds passed to subrecipients.
- Disclosure of sampling methods used, universe sizes, sample sizes, and exceptions identified, if any, for each major program reviewed.
- Specific identification in the compliance report of major programs for which the auditor expresses an opinion on compliance with Federal laws and regulations.
- Requirements for each State to implement a quality review program, including examinations of single audit reports and working papers, for those entities not assigned a cognizant Federal agency.

To increase the effectiveness of the SAA as it relates to the JTPA program, OIG recommend that the Secretary direct the Assistant Secretary for Employment and Training to support legislation, establish regulations, or take other action necessary to:

- Establish audit requirements in all contracts and agreements for both recipients and subrecipients and require annual reporting on audit compliance.
- Request OMB's approval for quarterly reporting requirements for financial activities to facilitate reconciliations with financial statements.

- Clarify JTPA cost limitations by identifying at what level (State or service delivery area) they apply.
- Establish limitations on single unit charges to allow their use for only such items as tuition and off-the-shelf training packages.
- Establish requirements that JTPA funds carried in from prior years be properly charged to the year of obligation and cost category.
- Require OMB's uniform Federal administrative requirements and cost principles be applied to JTPA.

ETA's Assistant Secretary responded to the draft audit report by agreeing with its factual conclusions that single audit coverage and quality are inadequate, but disagreed with OIG's recommendations for correcting the shortcomings. The Assistant Secretary believes that the JTPA programs should be exempted from Single Audit Act requirements and that recipients and subrecipients should be required to obtain specific financial and compliance audits covering JTPA expenditures. The OIG does not believe this approach is practical. Such additional audits would defeat the very purpose of the Single Audit Act, *i.e.*, to promote the efficient and effective use of audit resources. These audits would place additional costs on the JTPA program and would establish a precedent for other Federal departments and agencies to demand special, separate audits of their programs. Limited OIG staff would be unable to provide coverage. Accountability over DOL funds spent below the departmental level would still be inadequate.

The Assistant Secretary also disagreed with the recommendations in the single audit report that regulations be established to clarify ambiguous JTPA program criteria. He believes that these problems should be corrected through legislation. The OIG agrees that legislation would be the ideal way to address this situation. Such legislation was introduced in the previous congressional session but failed to pass both Houses

before adjournment. The OIG believes that regulations should be established now to curtail continued abuses and to provide clear criteria against which to measure the program. Subsequent to the Assistant Secretary's response to the draft report, ETA informed the OIG that it has decided to move ahead on regulatory reforms and published an Advanced Notice of Proposed Rule-making (ANPR). The ANPR announces ETA's intentions to propose regulations which will contain provisions on procurement similar to those included in the legislative proposal.

### **Accountability for JTPA Funds and Accomplishments**

To evaluate accountability over any program, what was accomplished must be compared to what was invested. This accountability model, particularly when based on audited cost and program outcome data, provides a reliable framework for evaluating the return on the expenditure of Federal dollars. JTPA recognizes that job training is an investment in human capital and not an expense, and mandates that "criteria for measuring the return on this investment be developed." The OIG's review of Single Audit Act coverage pointed to several weaknesses in JTPA program criteria for measuring costs. Other audit work has pointed to the same conclusion. The OIG is currently looking at program accomplishments and relating them to costs. Because of the criteria for cost accountability, accomplishments often can only be related to reported training costs instead of to full costs.

The OIG questions whether the Department's responsibilities over Federal resources and program design can be satisfied when the JTPA system lacks uniform requirements governing cost and fiscal and administrative operations, and when ETA has passed the responsibility for determining fundamental program design and control below the departmental level, oftentimes to the local level.

It is the OIG's opinion that JTPA's treatment as a block grant prevents the possibility of full accountability. The JTPA program should be fully

subject to the OMB Circulars, as are most other Federal grant and cooperative agreement programs. The OIG's past audit work has disclosed persistent and pervasive problems predominantly in the areas of procurement, profits, cost accountability, contractual procedures and financial reporting. These findings exist primarily because ETA's nationally applicable controls and uniform guidance are weak or nonexistent, and because Governors have not ensured integrity and accountability through establishment of adequate control systems. For example, Governors have often passed the requirement for establishing procurement controls down to the local level where controls over procurement of training services are frequently nonexistent.

The goal of block grant legislation is to delegate maximum discretion and flexibility to block grant recipients and to impose minimum Federal intrusion in local affairs. Treated as a block grant, JTPA was granted a waiver by OMB from the administrative requirements of the OMB Circulars, even though JTPA contains no language indicating congressional intent that the program be considered a block grant.

OMB Circulars govern cost, fiscal and administrative principles for the majority of Federal grants and cooperative agreements with state and local governments and nonprofit entities. They establish a uniform basis of operation in the expenditure of Federal funds.

Some of the requirements of the OMB Circulars are found in the JTPA regulations. However, establishment of basic program controls, guidelines, interpretations, and definitions are, for the most part, deferred to the Governors. As a result, the program suffers from a serious lack of uniform control and guidance.

Prior audits have reported problems in the JTPA system which have as their root cause a lack of uniform control and guidance. For example, the earlier discussion of the OIG's review of DOL single audit coverage stated our belief that ambiguous JTPA program criteria relating to cost limitations, program costs classification, account-

ing treatment of prior years' funds and administrative requirements confuse and impair adequate accountability. In prior semiannual reports, the OIG has discussed problems resulting from the JTPA system's extensive use of fixed-unit price, performance-based contracts (FUPCs). Despite ETA's March 1989 issuance of an "interpretation" on FUPCs, ETA has never promulgated definitive, enforceable regulations regarding the use of and restrictions on FUPCs.

Although ETA disputes OIG's contention that the causes for the problems identified in the JTPA system are systemic in nature (ETA holds that they are isolated, although recurring, incidents resulting from the Governors' flexibility in determining program policy and procedures), ETA's own monitoring reports prepared in Program Year 1990 presented further evidence that the cause for problems identified is indeed systemic in nature. The OIG analyzed ETA reports concerning procurement practices for 332 SDAs and on-the-job training (OJT) reports on 319 SDAs and found that the ETA findings are predominantly in the same areas as the traditional OIG findings: procurement, cost accountability and weak contractual procedures.

Historically, ETA has passed the responsibility for program control to the State and local levels by not implementing uniformly measurable performance criteria. JTPA recognizes that job training is an investment in human capital, and the return is to be measured by increases in earnings and employment and reductions in welfare dependency. the OIG's review of the Department's proposed JTPA amendments of 1991 reinforces the concern that the ability to measure the return on the JTPA investment is seriously hampered by

ETA's relinquishment of responsibility for program design and control to the State and local levels. While this approach provides maximum flexibility to the state and local partners, it is the OIG's opinion that the overriding charge of the statute is that ETA be able to answer the question, "What have we gotten in return for the public funds invested in JTPA?"

Some of the Department's 1991 JTPA amendment proposals will be difficult to measure and evaluate. For example, in the case of youth programs, JTPA has already adopted competency-based factors as program goals and elements of performance standards. The OIG agrees that educational competencies should be provided for the most disadvantaged youth, but measurable goals are needed.

The OIG believes that youth competencies cannot be uniformly measured in terms of program performance when the standard is set and defined solely at the local level. Open discussion and reciprocal accountability between the Federal and state levels can be fostered only under the auspices of a full JTPA partnership. Without such a full partnership, it will be difficult to judge the success of the program.

While remedies have been proposed in legislation, regulations, or guidelines, the OIG believes that adoption, or at least application, of the OMB Circulars to the JTPA program, and more control and specific direction for program design and performance standards at the ETA level, would establish uniform requirements throughout the JTPA system and address most of the deficiencies reported by the OIG.

# Office of Audit

## Section 2

### Agency Activities

#### Employment and Training Administration

ETA oversees the administration of the nation's employment and training system, principally the employment security programs of Unemployment Insurance (UI) and the Employment Service (ES), as well as the Job Training Partnership Act (JTPA) programs. ETA's Fiscal Year 1991 authorized staffing is 1,709 with a budget of about \$8.2 billion. Of that amount, \$3 billion was for state UI and ES operations and \$4 billion was for JTPA. In addition, the UI Trust Fund totaled \$50.6 billion in Federal and State cash accounts on deposit with the U.S. Treasury.

During this reporting period, the OIG issued reports on significant audit work completed in JTPA programs (including State and service delivery area levels, Job Corps, and other federally administered activities) and completed a review of Michigan's Trade Assistance Act program.

#### Job Training Partnership Act (JTPA)

OIG audit reports issued this period questioned a total of \$7.8 million in JTPA expenditures and auditors found major problems in the JTPA programs in Louisiana and various SDAs in Florida, as well as in several OJT performance-based broker contracts across the country.

#### New Orleans Service Delivery Area (Audit Report No. 06-91-009-03-340)

The OIG audited the JTPA programs administered by the City of New Orleans SDA to examine the effectiveness of the city's procedures to protect JTPA grant funds from misuse and to evaluate the extent of the SDA's compliance with Federal requirements.

Because the SDA provided most of its JTPA job training funds to private-for-profit contractors, the OIG examined the SDA's procedures used to award and administer these contracts. Upon

identifying serious deficiencies in the SDA's procedures, contractor financial records were examined to quantify the significance of SDA deficiencies.

Three of the New Orleans SDA's largest contractors refused full access to their financial records. When the OIG eventually obtained the records through enforcement action, we found that the contractor and SDA financial records were unreliable. Thus, the New Orleans JTPA program was effectively unauditible. As a result, the OIG disclaimed any opinion or assurance regarding the extent of SDA compliance with JTPA requirements or the extent of wasted JTPA funds. In effect, the OIG concluded that the allowability of all JTPA funds administered by the SDA are questionable.

In the OIG's opinion, the New Orleans SDA poorly managed its JTPA program resulting in program waste and abuse and questionable costs being charged to JTPA grant funds. Specifically,



the SDA's systems for procuring and administering its service providers were seriously deficient. Contracts awarded by the SDA resulted in extremely large profits to contractors, invalid placements for which contractors were paid fees, potential conflicts of interest in awarding contracts, less than arms-length transactions between related parties, and nepotism. In addition, the SDA incurred unreasonable and unnecessary administrative and training costs.

Furthermore, the city's use of unclassified positions is, in the OIG's opinion, a political patronage system which resulted in mismanagement of the JTPA program and incurrence of questionable costs.

The OIG recommended that ETA disallow \$5.1 million in costs incurred by the SDA and recommended disallowance of an additional \$1.3 million of incurred costs unless documentation can be provided to show why such costs should not be disallowed.

It was also recommended that ETA require the SDA to completely revise its service provider procurement system. Procedures should be established to ensure that contracts are awarded based on the following guidelines: (1) there is no conflict of interest; (2) the provider is reputable and exhibits the ability to perform; (3) competitive price negotiation is required; and, (4) price negotiations should include a detailed cost analysis establishing a reasonable profit margin.

And, it was recommended that ETA require that the SDA ensure and abide by the following: (1) strengthen its internal controls to ensure that only reasonable and necessary administrative costs are incurred, (2) costs are allocated to the proper cost categories, and (3) cash requested to fund SDA operations is limited to that necessary for immediate cash needs.

The OIG further recommended that ETA take steps to classify the New Orleans SDA as a high risk subgrantee under provisions for emergency sanctions in JTPA Section 164(f). The New Or-

leans SDA has such serious management and control problems that we recommended restrictions, similar to those described in 29 CFR 97.12, the Common Rule, regarding "Special grant or subgrant conditions for 'high-risk' grantees," be imposed on New Orleans. Specifically, it was recommended that ETA take, in conjunction with the State of Louisiana, those actions deemed necessary to ensure acceptable performance for the New Orleans SDA.

If ETA imposes special subgrant conditions and restrictions similar to those of 29 CFR 97.12 and they still do not provide the necessary protection of JTPA funds, ETA should consider terminating funding for the New Orleans SDA.

The State of Louisiana has acknowledged the seriousness of the situation and has proposed a reorganization plan for the New Orleans SDA. A meeting has been scheduled between the Governor and ETA to discuss resolution of the audit.

#### **JTPA/OJT Performance-Based Broker Contracts (Audit Report No. 05-91-056-03-340)**

The OIG reviewed on-the-job training programs subcontracted to third party contractors (brokers) as fixed-unit price, performance-based contracts. The review included over 7,500 participant cases which were claimed and paid as program completions in 9 SDAs across the nation. A completion was defined as a participant who completed training and who was placed and retained in unsubsidized employment. The review compared estimated training earnings to the quarterly earnings reported to the state. This comparison identified over 3,500 cases requiring further verification to actual employer payroll data.

The report revealed unallowable costs of \$1,155,286 from 616 participant cases and an additional \$2,414,528 from 850 cases that were questioned because supporting or verifying payroll documentation could not be supplied. The principal reasons for the unallowable costs were as follows:

- enrollment in OJT of persons already working for the employer (pre-employment);
- inflated claims for performance elements not accomplished (noncompletions); and
- violations of contract terms: wage rate below contract stipulation, non-full-time work when required, placement in work not related to training received (noncompliance).

The OIG's recommendations included:

- recovering unallowable costs;
- requiring that SDAs reclassify costs to the three standard categories when contracts do not meet requirements of CFR 20 629.38(e)(2)(iii)(A) or fail to meet ETA's March 13, 1989, policy interpretation;
- requiring that SDAs have brokers obtain and retain certified employer payroll documentation to support training time and rates; and
- strengthening requirements for State and SDA monitoring of subcontractor activities to include minimal sample tests of claimed participant training.

### **Louisiana Research and Development Center, Inc., Natchitoches, Louisiana (Audit Report No. 06-91-011-03-340)**

The Louisiana Research and Development Center (LRDC), Inc., a nonprofit corporation, was formed on September 21, 1988, and operated from its inception through dissolution (July 12, 1990) on the campus of Northwestern State University (NSU).

During its operation, the LRDC participated in several contracts with state and local governmental units and private enterprises providing services through JTPA programs. The center received \$1,379,086 in JTPA funding through these contracts.

The OIG and the Louisiana Legislative Auditor conducted a joint examination of LRDC. The

purpose of the examination was the following: (1) to determine if the LRDC used Federal funds in accordance with applicable Federal and state laws, rules, and regulations; (2) to provide additional information relating to findings concerning the LRDC that were presented in a report issued on April 30, 1990, by the OIG entitled "Louisiana Department of Employment and Training, Report I"; and (3) to review additional allegations of possible improper activities of the LRDC. The OIG recommended for disallowance a total of \$1,182,344, of which \$674,435 are duplicate questioned costs contained in two other audits of the State of Louisiana for which ETA has issued Management Decisions disallowing the costs.

The audit report stated that LRDC's former director received in excess of \$76,199 of JTPA funds which were used by him personally or for his outside personal business. The report also stated that he made payments to himself for unallowable charges such as personal vehicle repairs, personal debts, his outside business phone system which he sold to LRDC, vehicle use charge, two salaries, overpayments of self-contracts, uncleared travel advances, and duplicate or erroneous travel vouchers; and that he benefited from selling program products, retaining program income, using LRDC staff to conduct surveys for his private outside business, and using LRDC funds to copy a manuscript he had written about a TV personality.

The NSU president (who was also the incorporator of LRDC) and the LRDC former director employed an individual through LRDC and used JTPA funds to pay him \$16,883 to serve as the director of NSU Press. The individual never worked for LRDC.

ETA has directed the State to resolve the audit within appropriate timeframes.

### **Single Audit on Louisiana Department of Labor (Audit Report No. 06-91-201-50-598)**

The Louisiana Legislative Auditor's statewide single audit report for the period July 1, 1988, through June 30, 1989, identified a significant finding related to USDOL's funding of the Lou-

isiana Department of Labor (LDOL), Office of Employment Security. During the year ended June 30, 1989, LDOL paid \$1,812,364 to its private health insurance carrier. This amount exceeded the amount established in the rating classifications for the State Employees' Group Benefits Program by approximately \$175,000.

The LDOL offered employees of its Office of Employment Security a group health insurance program that had not been approved by the board of trustees of the State Employees' Group Benefits Program. Furthermore, the State's share of premiums (financed with Federal funds) paid to the private health insurance carrier exceeded the amount established in the rating classifications for members of the State Employees' Group Benefits Program. Participation in this insurance program violates State laws and Federal regulations.

Because the program did not conform to State law and was not consistent with that offered other State employees, the allowability of the \$1,812,364 charged to Federal funds was questioned. ETA has issued an initial Management Decision disallowing the entire \$1,812,364. ETA indicated, however, that the state legislature has now passed a law which would permit the purchase of private health insurance, although it is unclear whether the law can be retroactively applied.

### **North Central Florida Regional Planning Council (Audit Report No. 04-91-017-03-340)**

The OIG examined the North Central Florida Regional Planning Council, a JTPA grant recipient and administrative entity designated by the Florida Governor as an SDA. The examination covered Program Years 1987 through 1989, and was designed to determine compliance with JTPA program regulations governing the use of grant funds.

The SDA used JTPA funds to establish computer instruction laboratories with 5 service providers at 16 school sites. Although the computer equipment for the laboratories was funded entirely by

JTPA, an average of only six percent of the users were certified JTPA participants. SDA monitoring reports covering 1987-1988 showed that very few JTPA participants were enrolled in the training program. More than 43 percent of the sites had no JTPA participants enrolled. The OIG's review of 4 sites covering school years 1988-1990 confirmed the very low JTPA participants' usage.

The SDA did not appropriately analyze the JTPA need for such a computer system before making the purchase. In addition, no study was made on the number of JTPA participants expected to be served by this system. Based upon these findings, the OIG believes that the computer purchase was neither necessary nor reasonable to administer the JTPA program and has, therefore, recommended the disallowance of expenditures for this system totaling \$1,416,339.

The report also addresses the SDA's award of fixed-unit price, performance-based contracts for Program Years 1987 and 1988. These contracts were awarded without price or performance competition, did not identify specific classroom or occupational training that was to be provided, and generated profits that were unnecessary and unreasonable. The OIG recommended that \$119,646 in profits be recovered and returned to the U.S. Department of Labor.

ETA has directed the State to resolve the audit within appropriate timeframes.

### **Indian/Native American and Migrant Programs**

Title IV, Part A of JTPA authorizes programs for Indian/Native Americans and Migrant and Seasonal Farmworkers. Unlike programs under JTPA Titles II and III, these programs are directly administered at the national level by ETA.

While grantees are covered under the auspices of the Single Audit Act, the OIG continues to respond to management requests for reviews of program results, economy, and efficiency, or because of complaints of program abuse. In work completed this period, the OIG questioned

\$218,462 in direct expenditures from grants awarded to Indian/Native American and Migrant programs.

**American Indian Fellowship  
Association (AIFA)**  
(Alert Memorandum)

At ETA's request, the OIG reviewed AIFA, and our preliminary audit results (which covered January 1988 to June 1990) identified approximately \$185,000 in questioned costs, or about 55 percent of the total audited costs. Included in the costs were \$43,000 of rental expenses which appear to have been diverted and used inappropriately to "augment" staff salaries through the award of "bonuses." Further, \$121,000 of salaries, payroll taxes, and related benefits were inappropriately charged to the grant.

The OIG issued an Alert Memorandum recommending that ETA take appropriate steps to protect \$91,000 of JTPA grant funds available to AIFA of Duluth, Minnesota. Shortly thereafter, ETA removed AIFA from the letter-of-credit funding system and issued an emergency termination letter. ETA also disallowed costs questioned in a Single Audit of this grantee covering 1987 as reported in the Audit Resolution section.

**North American Indian Club  
of Syracuse and Vicinity, Inc.**  
(Audit Report No. 02-91-225-03-355)

At ETA's request, the OIG reviewed the North American Indian Club of Syracuse and Vicinity, Inc. (NAIC) in Syracuse, New York, and found that NAIC had accumulated \$102,034 in excess JTPA cash and used these funds to pay for non-DOL programs and activities.

Additionally, OIG auditors were unable to trace the financial data reported to ETA to the grantee's books. Costs shown on the financial reports exceeded NAIC's books by \$67,723.

The OIG also questioned costs of \$13,844 as follows: (1) \$4,235 of administrative costs were

charged to JTPA when the costs benefited other programs operated by NAIC; (2) the grantee charged \$8,619 of costs to JTPA that were unsupported or not necessary; and (3) a former NAIC employee received an unauthorized payment of \$990 for accrued vacation.

**ORO Development Corporation**  
(Audit Report Nos. 18-91-015-03-340 and  
18-91-016-03-340)

ORO provides technical assistance and training to migrant and seasonal farmworkers. At ETA's request, the OIG reviewed ORO's Program Year (PY) 1987 JTPA grant to enable them to resolve a prior audit.

Our work raised two concerns:

- *Deductions from JTPA-funded salaries.* ORO collected money from its employees through salary deductions (\$24,000) to pay for possible audit disallowances. Because these were grant funds, it is the OIG's opinion that the money collected should be either returned to the employees or refunded to DOL.
- *Unsound financial condition.* ORO had a fund balance of only \$89,000 as of June 30, 1989, including the amount of the employees' salary deductions. Thus, it appears ORO will be unable to satisfy ETA's demands for \$73,572 for past disallowed costs. In addition, because ORO virtually has no other funding sources other than JTPA, questions arise on ORO's ability to provide effective, efficient services under JTPA. In view of ORO's precarious financial condition, the OIG suggested that ETA closely monitor ORO's capability to continue to perform under the grant.

In a preliminary response, ETA's Grant Officer determined that "[t]hose wages which were withheld by ORO, whether or not authorized by the employees, were for ORO's primary and direct benefit. Under these circumstances (and consistent with DOL regulations at 29 CFR 531.35), the withheld payments are 'kickbacks' and are not 'wage payments' under the grant . . . . The appro-

prate remedy . . . is for ORO to pay its employees, or former employees, the wages which were withheld, plus the pro rata share of the interest earned on the withheld wages . . . . Any amount remaining will become a debt due ETA." In response to ETA's initial Management Decision, ORO agreed to repay the \$24,000 plus the pro rata share of the interest earned on the withheld wages to the employees from whom the deductions were withheld.

### **California Human Development Corporation (CHDC)** (Audit Report No. 18-91-008-07-735)

CHDC was organized as a nonprofit corporation in 1967 to advance education and improve the job opportunities of low-income, unemployed and underemployed persons. CHDC operates more than 100 programs and employs approximately 400 persons at its offices in Northern California, Oregon, Washington and Hawaii. It has contracts/grants with the Departments of Labor, Education, Health and Human Services, Housing and Urban Development and many other agencies. DOL is the cognizant agency for all CHDC Federal contracts/grants, including the indirect cost negotiation agreements.

The OIG's audit of the indirect costs claimed by CHDC for the last 9 months of Fiscal Year 1987 and all of Fiscal Year 1988, resulted in audit exceptions totaling \$123,559 and a \$1,007,048 increase in the allocation bases. The net impact on DOL funds is \$59,054. These questioned costs also impact the Fiscal Year 1989 provisional indirect cost rate, resulting in potential overclaims. Most of the audit exceptions related to improperly accounting for capital leases as operating leases and unallowable charges to the indirect cost pool for such items as travel, lodging, and per diem expenses for each of the 25 board members and all members of the corporation's upper level management for a board meeting held in Hawaii, when only one board member was from that State; failure to reflect either credits for audit fees billed by the indirect cost center to other programs or advertising revenue generated from the annual report; and "Key Man" life insurance premiums.

The OIG provided CHDC sufficient time to respond to the draft report. However, CHDC representatives have stated that they wish to respond to the final report. While the OIG has not received a response from CHDC, ETA issued a Management Decision disallowing \$115,559.

### **Proteus Training & Employment, Inc.** (Audit Report No. 18-91-014-07-735)

The OIG's audit of the indirect costs and fringe benefit rates of Proteus, a nonprofit organization, covered the entire grant period between October 1983 and June 1987. Proteus provides job training and placement opportunities for unemployed and underemployed migrant and seasonal farmworkers, refugees, and other low-income people in California.

The audit found a total of \$126,904 in unresolved prior audit findings which the OIG believes should be returned to the Department. This included \$79,886 in overclaimed indirect costs and \$47,018 in program income not credited to the grant.

Although Proteus submitted additional documentation to support its position in response to our draft report, the OIG continued to recommend that they submit an amended grant closeout package and that ETA disallow \$126,904. ETA issued an initial Management Decision after the reporting period, disallowing all the questioned costs and indicating that Proteus is in general agreement with the overclaimed indirect cost findings.

### **Job Corps**

The Job Corps program is operated under Title IV, Part B of JTPA and is designed to serve primarily impoverished and unemployed youth between the ages 16 and 21. Comprehensive training in basic and vocational education, work experience, counseling, and enrichment activities are provided at both Federal and contractor administered centers. After training, corpsmembers are provided placement assistance for up to 6 months. Job Corps Fiscal Year 1991 budget is approximately \$867.5 million. In Program Year

1989 (PY 1990 ends June 30, 1991), an estimated 113,573 corpsmembers were served.

## Survey of Executive Compensation Paid by Job Corps Center Contract Operators (Audit Report No. 18-91-001-03-370)

This report summarizes the results of a survey of the executive salaries, bonuses, and fringe benefits paid by center operators from 1985 through 1989.

### PRESIDENT'S SALARIES AND BONUSES

OPERATOR	1989 PAYMENTS			CHARGED TO JOB CORPS PROGRAM	
	SALARY	BONUS	TOTAL	AMOUNT	PERCENT
A	\$ 150,000	\$ 177,352	\$ 327,352	\$ 72,738	22 %
B	180,182	60,700	240,882	184,208	76 %
C	110,619	115,000	225,619	93,916	42 %
D	125,000	57,000	182,000	125,000	69 %
E	161,888	0	161,888	44,432	27 %
F	93,375	45,000	138,375	138,375	100 %
G	115,000	23,000	138,000	138,000	100 %
H	135,000	0	135,000	135,000	100 %
I	94,014	0	94,014	93,723	99 %
J	79,900	12,000	91,900	78,902	86 %
K	82,004	0	82,004	82,004	100 %

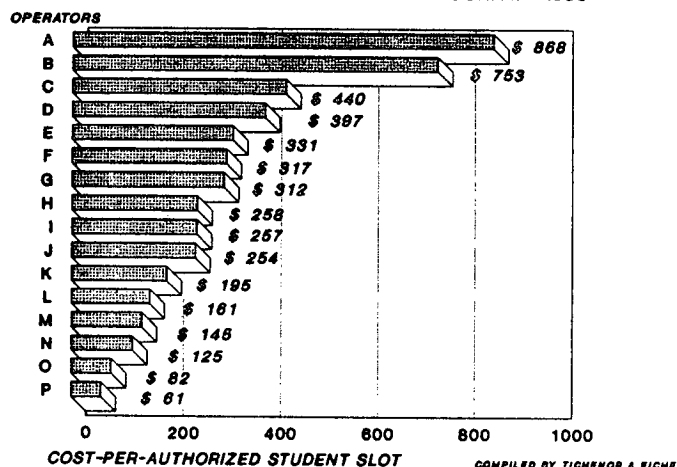
COMPILED BY TICHENOR & EICHE

(One of the operators does not charge any of its bonus payments as a cost to the Job Corps program. Instead, the operator pays its bonuses out of profits.)

The report concluded that the amount of compensation, particularly salaries and bonuses, paid to some executives could be considered unreasonable in light of the type of program from which the funds are derived. For example, in 1989, 5 of the 11 presidents charged compensation in excess of \$100,000 each to the Job Corps program. The amounts charged to Job Corps for these 5 presidents ranged from \$125,000 to \$184,208. In addition, 2 of the 19 vice presidents charged compensation to Job Corps in excess of \$100,000.

No relationship was found to exist between the amount of an executive's compensation and the number of Job Corps student slots for which he or she is responsible. There was a range of \$61 to \$868 in executive cost-per-student slot.

**COST-PER-STUDENT SLOT OF EXECUTIVE SALARIES & BONUSES  
CHARGED TO THE JOB CORPS PROGRAM - 1989**



The OIG also found that the number of executives increased 40 percent while the number of centers, operators, and students remained relatively constant. Total executive compensation increased 71 percent, due in part to the 40 percent increase in the number of executives (we did not review whether there was a need for those additional executives), with the Job Corps program financing 72 percent of the cost. Further, the total amount of fringe benefits paid increased by 66 percent, often based on the amount of compensation paid.

Although operators' executive compensation plans are required to be in writing and subsequent major changes must be approved, the OIG was not provided with any compensation plans specifically approved by DOL.

Finally, five of seven operators paying bonuses to their respective center Directors improperly charged the bonuses as indirect costs.

Job Corps' national office is currently evaluating proposed revisions to the procurement process which, if implemented, should resolve the types of issues identified.

## Reporting Costs Invested in Human Capital in Job Corps

The OIG, in cooperation with the Office of Job Corps (OJC), has developed analytical techniques that relate audited financial statements to audited program results statements. The effect is improved reporting of costs invested in human capital in the Job Corps program.

Audited financial and program results statements from Fiscal Years 1987 through 1989 have formed the foundation for the analysis of costs invested in human capital in the Job Corps program. Close cooperation with OJC has resulted in an expanded program accountability model that traces the flow of the total costs expended to serve economically disadvantaged youth enrolled in Job Corps.

Analyzing the audited financial records in concert with the audited program statistics has improved accountability over the \$660 million per year invested in economically disadvantaged youths. Data base analyses are used to isolate cost categories and program activities, and provide detailed information by Job Corps center, city, State, or region.

Thus far, the reports address just the initial result of the investment, such as the "post program outputs" characterized by obtaining employment (training or nontraining related), or by "in program outputs" such as obtaining General Equivalency Diplomas (GEDs), or completed training programs. However, future work with Job Corps will focus on identifying methods to measure economic returns on these invested costs in human capital.

### Job Corps Program Results Statements and Auditors' Compilation Report for Program Years 1988 and 1989 (Audit Report No. 03-91-002-03-370)

During this period, the OIG compiled (but did not audit) consolidated program results statements for the Job Corps program as a whole and for each Job Corps center for Program Years

(PY) 1988 and 1989. The OIG is currently auditing PYs 1988 and 1989 during fieldwork at 31 Job Corps centers.

Program results statements present data about the flow of participants in the program from the time of their enrollment until the time of their termination. The compilation report contains the following statements for each Program Year:

- *Statement of Human Resources* which presents the total number of participants being served and the participants' average length of time in the program.
- *Statement of Program Outputs* which categorizes the participants who have left the program by placement and nonplacement. Placement categories include entering employment, school, or the military. Nonplacement categories include those participants who have not been placed or whose placement status is unknown. Also presented for each placement and nonplacement category are the number of students with learning gains and GEDs attained during their participation in Job Corps' educational programs.
- *Statement of High School or GED Attainment and Program Outputs* which categorizes the participants who have left the program by placement and nonplacement category and whether the participant had a high school diploma or GED at enrollment or attained it at the center.
- *Statement of Learning Gains and Program Outputs* which presents the number of students with learning gains attained during participation in Job Corps' educational programs by placement and nonplacement category.
- *Statement of Training Received and Employment Matches* which presents the number of participants trained at the Job Corps centers by occupation. Also included are the number of participants placed in employment and the number employed in an occupation related to the training received.

- *Statement of Performance Standards Accomplishments* which presents Job Corps' performance standards for placement, retention, reading and math gains, and GED attainment.

### **Job Corps' Utilization of Facility Maintenance Resources Can Be Improved (Audit Report No: 03-91-017-03-370)**

The OIG reviewed ETA's management of Job Corps' Construction, Rehabilitation and Acquisition (CRA) resources. The review evaluated current processes and alternatives which would result in better usage of available CRA resources. It focused on existing facilities rather than on requirements for new centers or center relocations.

Regional and agency projects averaged 25 percent of each year's CRA funding and expenditures. The OIG's review identified several factors which adversely impact Job Corps' ability to effectively and efficiently manage existing facilities. They include the following:

- *Budget Requests are Inconsistent with Demonstrated Needs.* Job Corps' construction budget does not reflect net annual changes in the level of facility survey items/deficiencies. Under the present facility survey process, identifying and planning for long-term needs remains unstructured.
- *Job Corps Facility Survey Data Base Contains Inaccurate and Incomplete Information.* The data base used to produce and support the Job Corps' construction budget does not contain certain data pertaining primarily to emergency funded projects and contains erroneous information on the status of projects which had been funded and resolved. Job Corps does, however, utilize annotations to update the data base.
- *Classification System Does Not Support Funding Decisions.* The classification system in use

at the time of the audit to rank facility deficiencies in order of priority was not used as designed. Job Corps has since changed this system to one which more effectively categorizes needs.

- *Emergency Funding Procedures Need To Be Reexamined and Restructured.* Present emergency funding procedures for facilities and maintenance are time-consuming. The timely provision of funds is critical to minimize later and more expensive repairs. Job Corps has procedures in place to immediately address emergency situations which impact the safety or welfare of the student population.
- *Job Corps Lacks Control Over Individual Regional and Agency CRA Projects and Related Expenditures.* Job Corps' control over individual regional and agency projects is extremely limited, with no detail regarding individual project data or status being reported on the center's monthly financial report, the ETA 2111.
- *Site Adaptation Should Be a Required Initial Approach For New Construction and Major Rehabilitation Projects.* Site adaptation (the technique of utilizing architectural plans previously developed and approved and adapting them for a currently needed similar structure) has not been aggressively pursued by Job Corps.
- *Job Corps Must Reduce the Time and Cost Required to Correct a Facility Survey Deficiency.* Present methods used to address facility survey deficiencies may not be the most efficient way to resolve problems at the lowest possible cost in the shortest possible time.

Job Corps agreed with these recommendations, disagreeing only with the frequency of reconciliations between the facility survey, budget allocations and center facility CRA activities. Job Corps believes that the reconciliations should be made once a year and has provided the OIG with revised procedures to report center CRA activities.



**Leo A. Daly Company (LADC)**  
**(Audit Report No. 05-88-053-03-370)**

Job Corps contracted with LADC to provide architectural and engineering services for 3 years (1983-1986) at Job Corps Centers throughout the country. The OIG audited the direct and indirect (overhead) costs submitted by LADC for Fiscal Year 1986.

In the OIG's September 30, 1988, *Semiannual Report*, the OIG discussed a draft of this audit report which indicated that LADC had included numerous unallowable charges in its indirect cost pools. The final audit report concluded that LADC included \$1.9 million of unallowable charges in its indirect cost pools, including about \$1 million of personal expenses. Examples of these unallowable charges to the overhead accounts are:

- Rent on personal residences in London, England, and Washington, D.C., and related expenses such as utilities, maintenance, and improvements.
- Depreciation expense on the LADC president's household furnishings including antiques, chinaware, fine linens, sound systems, beds, and bedspreads; and salary costs for the LADC president's housekeeper.
- Personal expenses for liquor, antiques, custom-made tablecloths, Louis Vuitton luggage, Lalique crystal, and first edition publications (listed in the overhead accounts as technical manuals).
- Shipping and storage costs for antique marble columns and numerous cases of other antiques and personal effects, such as sculptures and gilded shower accessories.
- Luxury hotel accommodations and room service in Hawaii and Hong Kong for the LADC president and his wife (e.g., a four-figure charge for 1 night at a Hong Kong hotel).
- Charges for first-class, Concorde, and charter airfares and rentals of limousines and a Rolls Royce.

The net impact on DOL of all questioned costs is approximately \$475,000.

In responding to the draft report, LADC commented that it believed all of the questioned costs were allowable and reasonable considering the nature of the company's interior design business, how the company is managed, and how its services are marketed.

The OIG disagreed with LADC's comments, and the audit report recommended to the contracting officer that the identified costs be disallowed. The contracting officer has not closed the contract at this time.

**Mingo Job Corps Center**  
**(Audit Report No. 18-91-010-03-370)**

An OJC monitor found indications of Mingo Job Corps Center (Mingo) executive improprieties, inadequate corpsmember accountability and problems with the Center's Advanced Career Training program. The Director of OJC then requested OIG to review these matters in detail. The OIG performed a special program abuse review at Mingo, which is a Civilian Conservation Center in Missouri operated for DOL by the Fish and Wildlife Service (FWS) of the Department of the Interior.

The review showed that:

- Mingo's Advanced Career Training Program (College Program) was neither approved by the Office of Job Corps nor operated in accordance with Job Corps' procedures. For example, Mingo did not pay for the tuition costs of all College Program students' classes nor did it ensure that all nonresident College Program students were enrolled in institutions located within commuting distance of the Center.
- The Center Director took food from the dining hall to entertain officials off-Center, used Government-franked mail for unauthorized purposes and, along with other staff members, used Government long-distance telephone lines for personal calls.

- Mingo's student accountability system was not adequate. For example, efforts were not made to account for students enrolled in the College Program, nor was adequate accountability maintained for nonresident students enrolled in on-Center training and students on regular passes and merit trips. The Center also misrepresented the status of students on merit trips on Center corpsmember strength reports, reporting them as present for training.
- Mingo did not consistently comply with Job Corps' leave and pay procedures. For example, the Center distributed allowance checks to students on leave, did not always promptly return undistributed allowance checks to the Office of Job Corps, and did not accurately or adequately document the disposition of student allowance checks. In a few instances, students were allowed to receive wages from outside employers as well as Job Corps living allowances.
- Mingo's Center Review Board (CRB) was prevented by the Center Director from exercising its regulatory responsibility. Either the Center Director or the Center Standards Officer (CSO) took action in lieu of CRB action in 12 of the 33 cases reviewed. Job Corps regulation does not allow review of cases by the Center Director prior to CRB hearings. Several of the students whose cases the Center Director acted upon in lieu of CRB action appeared to be "repeat offenders." The OIG concluded that these decisions indicated preferential treatment of these students by the Center Director, sent the wrong message to students about discipline at the Center, and adversely affected the morale of Center staff.

The OIG believes these deficiencies were caused by a failure to resolve problems and abuses identified earlier by Job Corps and FWS monitoring reviews, violations of procedures and regulations, and inadequate internal controls. The OIG has recommended that FWS ensure that Mingo correct the deficiencies noted. Further, regarding the employee integrity issue, the OIG recom-

mended that FWS take disciplinary action to demonstrate that such improper conduct, which undermines the ethical principles being taught by Job Corps, will not be tolerated.

FWS is in general agreement with the reported findings and corrective actions are in process. FWS suspended the Center Director for 28 days without pay and required him to reimburse the Government for his personal use of food, telephones, and franked mail. In a letter to the OIG, ETA agreed with FWS that "all who work closely with the Mingo Job Corps now must move on from this to the work ahead that benefits our students and makes the center the best it can be." ETA expressed appreciation at the "thoroughness and the responsiveness of the Office of the Inspector General in assisting the Office of Job Corps to improve the quality and integrity of the Job Corps program."

#### **Cleveland Job Corps Center (Audit Report No. 05-91-053-03-370)**

Alpha Kappa Alpha Sorority, Inc. (AKA), located in Chicago, is a sorority incorporated as a nonprofit organization which operates the Cleveland Job Corps Center (CJCC). CJCC's main objective is to provide basic education and vocational training to disadvantaged young men and women. AKA receives about \$6.5 million in a program year to operate the Center.

At the request of the Office of Job Corps, the OIG reviewed CJCC to determine the integrity of its procurement process and the accuracy and reasonableness of selected general ledger entries.

The OIG found that the financial management system at CJCC could not be relied upon to produce accurate and timely financial information and the following problems were identified:

- The accounting system was not adequate to account for Federal funds. For example, over 400 check numbers were unaccounted for and copies of more than 200 voided checks could not be located. Even so, the OIG found

that 30 missing checks and 8 voided checks had cleared the bank.

- The Center's financial position was misstated due, in part, to the Center operator's failure to record contingent liabilities of \$162,239 as a result of a bank failure and \$72,494 in disputed insurance premiums.
- The procurement system had significant internal control weaknesses which allowed the Center operator to purchase goods and services in violation of the Federal Acquisition Regulation (FAR) and its own policies and procedures. For example, the Center operator awarded two contracts over \$25,000 without any evidence of competition, as required by FAR 6.001.
- Documentation was lacking for \$147,518 while another \$32,414 in expenses had been incurred in violation of various contractual and regulatory requirements.

As a result of the review, the OIG recommended that ETA take immediate action to recover \$179,932 from AKA and ensure that CJCC's financial management system is strengthened so that acceptable accountability can be maintained.

## **Federally Administered Programs Under JTPA Title IV**

Title IV, Part D of JTPA authorizes funds for research and demonstration projects, pilot projects and technical assistance and training programs. During this period, the OIG issued reports on the National Alliance of Business and the National Governors' Association.

### **National Alliance of Business (Audit Report No. 06-91-013-03-340)**

The National Alliance of Business (NAB) is a nonprofit organization in Washington, D.C., which receives JTPA grant and contract funds from various Federal, State, and local sources. The general purpose of the organization is to encour-

age members of private industry to take part in employment and training programs.

During this semiannual period, the OIG issued a final report to ETA on a review of NAB. Auditors reviewed approximately \$23 million in funding over PYs 1988 and 1989. The primary source of funding was a large grant amounting to approximately \$16.5 million. This grant, funded under Title IV of JTPA, constituted 71.4 percent of the funding received by NAB during the 2-year period. (The grant will be referred to as the core grant.)

The statement of work in the core grant awarded to NAB was vague, and deliverables were not measurable. As a result, ETA could not determine whether it received a return on the \$16.5 million invested.

In responding, ETA generally concurred with our recommendation that ETA establish measurable program deliverables for the core grant and tie those deliverables to reasonable cost estimates. However, ETA took exception to quantifying each deliverable having to do with NAB's mission of developing private sector support for employment and training programs.

The OIG believes that, if the end product is to get the private sector involved, ETA should develop a means of measuring NAB's performance. For example, NAB should be required to show how many private sector individuals were recruited to serve on Private Industry Councils and State Job Training Coordinating Councils or how many companies agreed, for the first time, to participate in a JTPA training program.

By clarifying what NAB is supposed to be doing and establishing a means of measuring its performance, ETA can determine whether there is a return on the millions of dollars invested in NAB each year.

Income realized from JTPA-funded activities were not always reported as program income. NAB had several sources from which it earned income (revenues minus expenses): conference registration fees, publication sales, fee-for-service con-

tracts, memberships, and contributions. However, income realized from these activities was not always reported as program income to the U.S. Department of Labor.

Auditors estimated that NAB had revenues of over \$6.0 million and expenses of \$4.8 million resulting in an income of \$1.2 million from conferences, publications, and fee-for-service contracts. In responding to our report, ETA claimed revenues were \$5.9 million and expenses were \$6.4 million resulting in a loss of over \$500,000.

The difference in figures can be attributed to two areas, publications and fee-for-service contracts. The findings on these areas showed the following:

- NAB did not report any revenues from publications although auditors found revenues of \$238,042 and expenses of \$67,267. In the response, NAB claimed expenses of approximately \$400,000; however, this is an estimate since NAB did not track expenses for 35 of 38 publications. The \$67,267 represented actual expenses tracked for the remaining three publications.
- NAB claimed a loss in fee-for-service contracts while the OIG analysis showed a profit. Auditors drew a random sample of 29 out of 129 federally funded contracts. The resulting analysis showed a 27 percent profit. Using a straightline calculation based on a 27 percent profit for \$3.8 million in revenues overall, expenses would be \$2.8 million with \$1.0 million in income.

Throughout its existence, NAB has raised funds through corporate contributions. Further, NAB has sold memberships since 1988. Income from these activities has never been recognized as program income.

In the report, the OIG recommended that ETA negotiate an advance understanding with NAB which would attribute all or a portion of this income to program income, *i.e.*, to be used to further the goals of the grant. The OIG's reasoning was based on language in OMB Circular A-

110 that, "[p]rogram income represents gross income earned by the recipient from the federally supported activities."

The OIG believes that NAB is able to generate revenues from contributions and memberships as a direct result of the large amount of Federal funding received from DOL. ETA did not concur in the recommendation, stating that business contributions and membership fees are not necessarily characterized as program income.

A list of individuals for whom NAB was to "perform most of its activities free of charge, for the most part" was out of date. Further, the core grant was not clear as to the meaning of "free of charge, for the most part." A review of the list, which contained over 2,000 names of individuals primarily in the JTPA delivery system, showed that approximately 43 percent of the names were incorrect. ETA concurred and stated that the list will be maintained by title rather than individual name, thus correcting most of the errors. Further, ETA agreed to clarify the meaning of "free of charge."

The remaining findings and recommendations had to do with the following: (1) disbursing Federal funds within 3 days of receipt, (2) reporting interest earned on Federal advances within 15 days following the applicable quarter, (3) correcting two minor internal control weaknesses, and (4) providing an audit trail between itemized expense claims and allocation of the expenses to funds and project codes. ETA concurred with the recommendations and agreed to take corrective action.

### **National Governors' Association (Audit Report No. 18-91-024-07-733)**

The National Governors' Association (NGA) is a nonprofit organization whose membership consists of the Governors of the States and territories whose mission is to influence the shaping and implementation of national policies and provide leadership for the solution of nationwide problems.

The OIG's audit of the proposed of \$7.3 million of indirect costs, as well as selected testing of the direct grant costs, of NGA for Fiscal Years 1986-1988 resulted in total questioned costs of \$646,002. The impact of these questioned costs on DOL and other Federal agencies is \$236,275.

The questioned costs resulted from charges by an affiliate organization for services and supplies in excess of actual costs, incomplete recovery of costs for services provided by NGA to affiliates, and overstated charges for use of the NGA core computer facility.

NGA does not agree with the above findings except that it agreed that usage fees should be charged to outside users of its core computer facility.

### **Unemployment Insurance Program**

The Social Security Act of 1935 authorized the Unemployment Insurance (UI) program which is a unique Federal-State partnership that is based upon Federal law, but is implemented through individual State legislation.

This program is administered by the State Employment Security Agencies (SESAs). At the Federal level, the Unemployment Insurance Service (UIS) of ETA is charged with ensuring proper and efficient administration of the UI program.

### **Trade Adjustment Assistance Act (TAA)**

The TAA program is intended to assist workers, whose jobs have been adversely affected by imports, to return to suitable employment as quickly as possible. The TAA program is carried out by the SESAs and emphasizes training, weekly allowances, job search, and relocation expenses for groups of workers certified as eligible by the Secretary of Labor. The Omnibus Trade and Competitiveness Act of 1988 (OTCA) amendments require participation in training for eligible workers to receive Trade Readjustment Allow-

ances (TRA). However, the program instructions provide that training is not appropriate and shall not be approved when, "... there is a reasonable prospect which is reasonably foreseeable that the worker will be reemployed by the firm from which separated . . . ."

### **Audit of Selected Elements of the TAA Program Administered by Michigan Employment Security Commission (Audit Report No. 05-91-054-03-330)**

At ETA's request, the OIG audited selected elements of the TAA program administered by the Michigan Employment Security Commission (MESC). The review was requested because of ongoing problems identified by ETA through its monitoring of MESC's TAA program.

*Results of the OIG's review.* The OIG concluded that a significant number of TAA claimants awaiting recall by their former employer were inappropriately enrolled into training programs and paid additional benefits. Under the General Motors Flint-Buick City Certification No. TAW 20504, MESC spent approximately \$4 million on additional TRA benefits and \$1.1 million on training without targeting those applicants not likely to be recalled. The results of this review and ETA's monitoring strongly suggest that up to 77 percent of the workers covered under this Certification were recalled. Therefore, the OIG estimates that about \$3.9 million in TAA funds were not spent in accordance with the Act.

Of the 108 applicants analyzed under Certification No. TAW 20504, the OIG found:

- 77 percent (83 people) were recalled to their former jobs;
- 99 percent (107 people) did not use their TAA training in subsequent suitable employment; and
- 77 percent dropped out of training prior to completion, usually to return to their former employment.

Based on the claims examined in the sample, the OIG questioned \$301,253 out of \$5,120,557 paid by MESC under Certification No. TAW 20504 to TAA enrollees for training and additional TRA benefits. Moreover, because of weaknesses in management controls over MESC's TAA program, the OIG questioned an additional \$93,572.

*Contributing Factor.* In the OIG's opinion, some of the program requirements contributed to the problems. For example, vague definitions of terms such as "reasonable prospect [for recall]" and "reasonably foreseeable [future]," do not provide sufficient guidance for States to determine whether training should be approved in individual circumstances.

The OIG recommended that ETA work to eliminate the complexities in the regulations and program requirements which may make it difficult for Michigan and, perhaps, other States to comply.

The OIG also recommended that ETA take the following actions:

- Recover from MESC \$387,406 representing: (a) additional TRA benefits and estimated training costs spent on those workers trained under Certification No. TAW 20504 not as intended by the Act, and (b) ineligible or undocumented benefit payments.
- Require MESC to determine and refund to DOL the total amount of TAA training and additional TRA benefits spent on workers covered under Certification No. TAW 20504 who were recalled to their former employment. This could be as much as \$3.9 million.
- As a condition for funding approval, require MESC to develop specific plans and proce-

dures to identify and serve only those workers not likely to be recalled. Workers would not be eligible in cases where "... there is a reasonable prospect which is reasonably foreseeable that the worker will be reemployed by the firm from which separated ...."

- Require MESC to improve its Benefit Payment Controls over the TAA program and improve its documentation that program requirements were carried out.

MESC generally disagreed with the OIG's findings, stating that GM would not release to MESC a list of workers with seniority dates because specific individuals who would be recalled could not be determined using a fixed date. MESC confirmed that it decided to train anyone who did not have a specific recall notice at the time of enrollment because of their potential eligibility and believed that to do otherwise would result in penalizing claimants based on speculation of recall rather than fact. Therefore, it is MESC's position that it complied with TAA requirements, acted in good faith, and relied on the instructions and regular guidance received from ETA to administer the program.

The OIG maintains that MESC did not target TAA training to workers who did not have reasonable prospects for reemployment with GM, as promised in its request for TAA funds and as intended by the Act. MESC's response confirms that it was aware that a significant portion of the workers covered under Certification No. TAW 20504 had reasonable prospects for recall, and that training was not targeted to those workers not expected to be recalled. Therefore, the OIG's findings and recommendations remain unchanged.

ETA has informed the OIG that it has begun resolution action on this audit.

## **Pension and Welfare Benefits Administration (PWBA)**

PWBA carries out the Department's responsibilities under Title I of the Employee Retirement Income Security Act of 1974 (ERISA) and certain provisions of the Federal Employees' Retirement System Act of 1986. PWBA is responsible for regulatory, enforcement, research, and reporting and disclosure functions. PWBA's oversight of employee benefit plans impacts on the protection of over 200 million people and over \$2 trillion in assets, about one third of the nation's investment capital. For Fiscal Year 1991, PWBA's authorized staffing is 605, and its budget is \$56.4 million.

### **Protections for Plan Participants in Certain Transactions Could Be Improved (Audit Report No. 09-91-002-12-121)**

During this reporting period, the OIG issued a final report on PWBA's Office of Exemption Determinations (OED) activities related to processing applications for exemption from the prohibited transaction rules of ERISA.

The review of processed exemption applications revealed no exemptions that were inappropriately granted or denied. However, one area was noted where improvements could be made.

Approximately 35 percent (the most frequently granted) of the exemptions allowed a sale or purchase of real estate between a plan and a party in interest. Further, these sales represented substantial values and frequently presented complex appraisal problems where values could easily be judged inaccurately. Generally, PWBA approved the applicant's request and established the tentative value of the property based on appraisals conducted by a single firm or appraiser. The

OIG's review determined some appraisals contained questionable comparative sales data. Accordingly, the OIG recommended that PWBA:

- require that real estate values be established by an independent fiduciary in exempted transactions,
- require more than one appraisal for determining real estate values in exempted transactions, and
- incorporate these conditions in all granted exemptions involving real estate transfers.

PWBA has indicated that, while they are still reviewing these recommendations, they generally believe that the policies that have evolved for the processing of exemption applications since the enactment of ERISA have proven to be beneficial to plan participants and beneficiaries. PWBA believes that the variety of circumstances which cause plans and/or parties in interest to seek exemptions necessitates that PWBA retain the flexibility to fashion individual relief appropriate under the circumstances.

## **Employment Standards Administration (ESA)**

ESA coordinates a variety of programs protecting the basic rights of workers, including minimum wage and hour standards, various workers' compensation programs, and equal employment opportunity and affirmative action programs for employees of Government contractors. ESA includes the Wage and Hour Division, the Office of Workers' Compensation Programs (OWCP), and the Office of Federal Contract Compliance Programs (OFCCP).

ESA is the second largest program agency in the Department in terms of expenses. For Fiscal Year 1991, budgeted positions and dollars for ESA salaries and expenses were 3,905 and \$245 million, respectively. For the first half of Fiscal Year 1991, \$734,367,118 was paid out in Federal employees' compensation benefits, and \$281,813,688 was paid out in Black Lung disability benefits.

### **Office of Workers' Compensation: Programs Federal Employees' Compensation Act (FECA) Program**

FECA is the sole form of workers' compensation available to Federal employees who suffer on-the-job traumatic injury or occupational disease. DOL administers the Act, but all Federal agencies influence how effectively it operates. In Fiscal Year 1991, FECA's staffing level was 887 with a \$52.5 million budget. ESA will pay out approximately \$1.657 billion for injured Federal employees using appropriated funds collected through chargebacks to other Federal agencies. It is expected that approximately 60,800 claimants will receive long-term benefits and another 76,000 Federal employees will file for continuation of pay for traumatic, job-related injuries.

### **Results of Crossmatch of Selected FECA Cases with California Wage and Unemployment Insurance Records (Interim Report No. 18-91-025-04-431)**

Due to the large number of FECA beneficiaries living in California, OWCP requested that the OIG assist in a one-time crossmatch to verify

continued FECA eligibility and to identify possible fraud. The crossmatch was performed in May 1989 by the California Employment Development Department using quarterly wage earnings reported by California employers and unemployment insurance payments, plus OWCP records of California claimants receiving FECA temporary total disability compensation payments.

Four hundred and seven (407) raw hits resulted from the crossmatch which indicated possible overlapping periods of quarterly wage earnings and FECA compensation payments. Upon analysis, 151 of the hits involved periods of actual overlapping FECA payments with wage earnings, and in 41 instances the FECA claimant had not reported earnings to OWCP as is required.

To date, there has been \$330,156 in forfeiture and overpayment declarations, 9 cases pursued for criminal prosecution, and 4 cases submitted for prosecution under the Program Fraud Civil Remedies Act. One criminal case has been completed. The defendant was found guilty in the U.S. District Court, Northern District of California and ordered to make restitution of \$40,177, serve 200 hours of community service, serve 4 months in community treatment, and was placed on 3 years' probation.

## **Occupational Safety and Health Administration (OSHA)**

OSHA administers programs designed to assure the safety and health of workers at their worksites. This includes setting workplace regulations and standards for a safe and healthful working environment, enforcing compliance by inspecting places of employment, and providing occupational safety and health training and education. To administer the program for Fiscal Year 1991, OSHA had a staffing level of 2,466 and a \$285 million operating budget.



## Grant to the John Gray Institute

Following an October 1989 explosion and fire at a petrochemical plant in Houston, Texas, OSHA awarded a sole source grant to the John Gray Institute (JGI) of the Lamar University System (LUS) to study safety problems in the petrochemical industry. The grant was awarded under Section 7(c)(1) of the OSH Act. During this reporting period, the OIG completed two reviews of this grant: (1) a special purpose review of the Department's handling of the grant and (2) an incurred-cost audit of JGI's charges under the grant.

### Special Purpose Review

(Audit Report No. 18-91-022-07-735)

This special purpose review was conducted to determine whether OSHA's sole source grant to JGI was made in accordance with departmental procurement policies and procedures.

In summary, the OIG found that OSHA did not comply with departmental procurement policies and procedures when it awarded JGI a sole source grant. OSHA should have: (1) processed this procurement as a "contract," (2) submitted the proposed procurement to the Procurement Review Board (PRB) for its approval and disclosed the existence of an apparent business or professional relationship between OSHA's Deputy Assistant Secretary and JGI's President, (3) obtained proper State consent for Section 7(c)(1) grants, (4) monitored JGI's use of sole source subcontracts, and (5) properly delegated grant officer signature authority.

The OIG also concluded that the Office of the Assistant Secretary for Administration and Management (OASAM) inadequately monitored OSHA's procurement functions.

In a memorandum to OSHA on the subject, the Assistant Secretary for Administration and Management stated his belief that much of the criticism of this grant could possibly have been avoided if the grant had been submitted for PRB review.

OASAM also indicated that it will review OSHA's grant program toward revising current requirements for submission of sole source grants and agreements to include all nonrecurring sole source requirements.

OSHA's interim response to this report concurs with three of the five recommendations to OSHA. OSHA agreed to the following: (1) to develop procedures to ensure proper State consent is received prior to awarding Section 7(c)(1) grants, (2) to revise its Monitoring Manual to also cover grantees' subcontracting activities, and (3) to issue proper delegations of grant officer authority. OSHA stated that a subsequent memorandum would address our other two recommendations.

The audit report also contained four recommendations for the Assistant Secretary for Administration and Management. In responding to the report, the Assistant Secretary concurred with all four of the recommendations. In particular, he stated that OASAM had already initiated its monitoring review of OSHA's procurement functions. In addition, OASAM issued a memorandum to DOL's executive staff to immediately implement a new policy requiring PRB review of all sole source procurements to state agencies. The memorandum also reminds agencies of the existing requirements for the PRB review of several other categories of sole source procurements.

### Financial and Compliance Audit

(Audit Report No. 18-91-020-07-735)

This OIG report questioned \$74,370 of the \$598,128 in costs claimed by JGI as of August 31, 1990. The majority of these questioned costs were due to unsupported travel costs (\$33,055), improper supply and miscellaneous charges (\$17,611), improper personnel and indirect costs (\$11,869), and unauthorized pre-grant expenses (\$2,990).

*Unsupported Travel Costs.* In commenting on the draft report, the LUS Chancellor stated that documentation had since been provided to his office to adequately support the expenses incurred. However, although requested, LUS did

not provide the necessary documentation to allow the OIG to review the propriety of these costs.

*Improper Supply and Miscellaneous Charges.* The Chancellor stated that a letter had been sent to OSHA requesting a line-item budget provision authorizing these charges. If OSHA approves the budget provision, these costs would be allowable.

*Improper Personnel and Indirect Costs.* The Chancellor agreed with the finding and stated that JGI had reimbursed the grant.

*Unauthorized Pre-Grant Expenses.* The Chancellor disagreed with the findings and stated that a letter had been sent to OSHA requesting approval of these travel costs.

In its preliminary decision, OSHA generally agreed with the OIG's findings and recommendations. The only finding with which OSHA did not agree regarded pre-grant expenses. OSHA stated that these pre-grant travel costs were incurred at OSHA's request and, therefore, would be allowable. OSHA will modify the grant to provide authorization for these expenses.

## **Departmental Management**

Departmental management refers to those activities and functions of the Department which formalize and implement policies, procedures, systems and standards to ensure efficient and effective operations of administrative and managerial programs. The Assistant Secretary for Administration and Management has oversight responsibility.

During this audit period, the OIG issued reports on internal controls and reporting capabilities of the DOLAR\$ system and reviewed activities in Information Resources Management.

### **Status of the DOLAR\$ Central Accounting System**

In prior semiannual reports, the OIG identified significant accounting and internal control problems in the Department's financial management systems. Management has committed to correcting these deficiencies and has reported these problems in its FMFIA report. A key element is the new departmental accounting system (DOLAR\$) which offers significant financial management improvements. Many of these improvements are now being realized, but many more remain to be achieved.

In March 1991, the OIG issued reports on the internal controls and reporting capabilities of the DOLAR\$ system. Although the new system

promises significant improvement over the old one, several deficiencies relating to reconciling cash balances, reconciling subsidiary systems to the DOLAR\$ control accounts, and managing travel advances and contract obligations were identified. In addition, DOLAR\$ reporting capabilities need improvement. Management has committed to correcting these deficiencies and many have already been resolved, particularly with respect to ensuring that the accounting system can generate financial statement data.

One OIG concern is that program and subsidiary systems information are not regularly reconciled with DOLAR\$ account balances. One of those systems, ETA's Regional Automation System (RAS), is a 15-year old system with numerous OIG-identified deficiencies. This system is critical to the accurate reporting of DOL's financial

status since it captures JTPA grant subsidies and contributions -- an amount totaling \$6.1 billion, or approximately 25 percent of DOL's annual expenditures in Fiscal Year 1989. ETA began developing a comprehensive grants and contracts financial management information system to replace RAS and to correct these deficiencies. However, the OIG is very concerned that, after more than 2 years of replacement system development by ETA, funding has been denied for further development work.

## **Information Resources Management**

### **Dimensions International, Inc. (Audit Report No. 19-90-011-03-001)**

This was a review of OASAM's contract with Dimensions International, Inc., as an outgrowth of the OIG's work on ETA's local area network (LAN) system.

The OIG audited \$1,575,924 in contract costs and questioned approximately 28 percent (\$448,957) of those costs primarily because: (1) employees did not meet minimum education/experience requirements; (2) subcontractor certification requirements were not met; (3) invoiced amounts exceeded labor cost budgets for numerous task orders; (4) invoiced amounts lacked supporting documentation; and (5) work was performed on task orders prior to their full execution. The contractor's response to the draft report did not result in substantive adjustments to the questioned costs.

### **DOL Local Area Networks Audits Raise Departmental Issues (Audit Report No. 19-91-001-07-720)**

The OIG identified and reported common issues and problems found in the audit work on DOL's LAN. For example, since all DOL agencies were using LAN technology, DOL could either save or avoid costs altogether by eliminating intra-departmental duplication of effort.

During 1988, the Department standardized office automation by adopting a departmental policy supporting LAN technology. As DOL agencies implemented the new LAN, the OIG audited three agencies' use of the new technology: the Bureau of Labor Statistics, the Employment and Training Administration, and DOL's Executive Computer Network.

Areas where PC/LAN costs might be reduced or avoided by eliminating intra-departmental duplication of effort include security, applications management, and a common system to develop accurate PC/LAN cost data for future decision-making. The OIG also outlined personnel security requirements, the need for increased control over agency pilot/prototype projects, and suggested the establishment of a forum for information sharing.

The Assistant Secretary for Administration and Management's response concurred with many of the proposed suggestions. He advised that DOL plans to develop policy directives and option papers on subjects covered in the report.

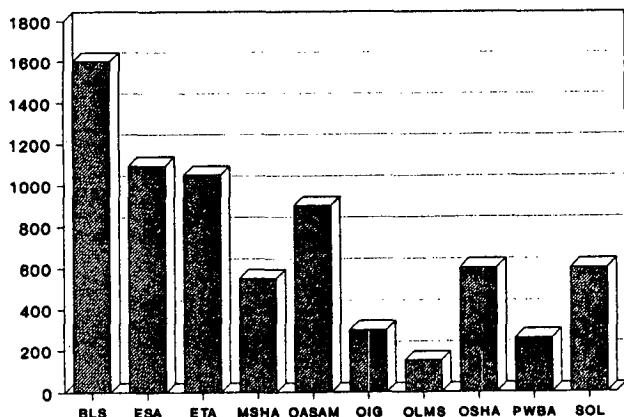
As a result of this LAN audit work, the OIG also developed a LAN audit program. The guide provides a comprehensive review of LAN management, including configuration, network, and application management, security, and costs. Based on comments from the members of the Information Technology Committee of the President's Council on Integrity and Efficiency (PCIE), the OIG revised the draft program and issued it in final to the all members of the PCIE.

### **DOL Microcomputer Audit (Audit Report No. 19-91-002-07-001)**

This was an OIG audit of microcomputer assets in 10 agencies to determine whether inventories are accurate and assets are safeguarded. The OIG counted 6,549 microcomputers at 107 locations, which represents about 80 percent of DOL's total microcomputer assets.

The following bar graph shows microcomputer assets by agency:

**MICROCOMPUTER ASSETS BY AGENCY**



The OIG also found that 94% of the microcomputers assessed were operational and available for use.

The Departmental Property Management System (DPMS) is the official DOL property system except for MSHA which has its own system. Each agency, except MSHA, is required to submit property records to the DPMS.

All agencies reviewed maintain more than one microcomputer inventory; as a result, the OIG assessed 24 separate inventories. A microcom-

puter was considered accounted for if it appeared on any one these inventories. Assessing 24 inventories enabled us to make a substantially more accurate accounting than if only the official property system(s) had been assessed.

The OIG found 1,006 microcomputers not recorded on any inventory and, conversely, could not locate 106 microcomputers listed on inventories. None of these unlocated microcomputers were reported lost or stolen. The MSHA Property Management System (MPMS) contained records for all MSHA microcomputers. In many instances, the OIG reconciled agency records and corrected inaccurately recorded serial numbers.

The OIG concluded that, except for MSHA, the Department does not have a complete inventory of its microcomputer assets either at a centralized or decentralized agency level. The absence of a complete inventory places the Department at risk for an amount estimated at more than \$1.9 million.

The OIG recommended that DOL convene Boards of Survey to investigate the circumstances surrounding the unlocated microcomputers, require close monitoring of property management policies and procedures, implement a standard methodology for capturing serial numbers, replace the DPMS, and, depending on the Boards of Survey results, develop guidance for physical security.

The Department agreed with the OIG recommendations and plans to take corrective action.

# Office of Audit

## Section 3

### Audit Resolution

Audit Resolution Activity (\$ millions)				
Period Ending	Audit Reports Resolved	Amount		Total Resolved
		Disallowed	Allowed	
9/30/89	327	\$ 72.7	\$45.5	\$118.2
3/31/90	350	\$ 15.4	\$ 3.0	\$ 18.4
9/30/90	263	\$344.0	\$ 3.6	\$347.6
3/31/91	244	\$ 21.8	\$10.3	\$ 32.1

Detailed information about audit resolution activity for the period may be found in Chapter 5.

#### Management's Commitment to Recover Funds

The following are examples of significant resolution actions taken by program officials resulting in the disallowance of costs claimed by the Department's contractors and grantees:

#### Full Employment Council OJT Performance-Based Contracts (Audit Report No. 05-90-001-03-340, issued March 30, 1990)

The OIG reviewed five JTPA OJT broker contractors funded through the Full Employment Council (FEC), Kansas City, Missouri. A broker contractor arranges the hiring and training of JTPA participants through private OJT employers and receives a fee for participant services.

Some 92 cases of inflated placement claims by brokers were found and \$90,155 in overpayments made by FEC to the brokers was recommended for disallowance. These overpayments resulted from broker claims that did not meet the completion criteria of the contracts, or for training of participants who were already employed by the employer/trainer.

In addition, the OIG questioned another \$96,086 in 70 cases because the OJT employers could not or would not provide payroll records to support these claims.

ETA has concurred with the State of Missouri's audit resolution report. The State has allowed \$47,723 based on additional documentation and has requested repayment of \$138,518 from FEC. Because the 3-year availability period for these funds has lapsed, ETA has informed the State that the amount collected from FEC must be repaid to DOL.

**Louisiana Department of Employment and Training (LDET), Report I**  
(Audit Report No. 06-90-003-03-340, issued April 30, 1990)

An OIG audit on LDET questioned \$1.04 million in JTPA expenditures. On November 11, 1990, ETA issued a final determination disallowing \$993,368. Of this amount, \$533,340 had been repaid by the State. Questioned costs of \$49,514 were allowed.

**Louisiana Department of Employment and Training (LDET), Report II**  
(Audit Report No. 06-90-004-03-340, issued September 17, 1990)

An OIG report on the second phase of work completed on LDET (Report II) questioned \$6.6 million in JTPA expenditures. On March 15, 1991, ETA issued a final determination disallowing \$3.7 million. Of the \$3.7 million disallowed, some of the questioned costs (\$783,000) had been previously disallowed in Audit Report No. 06-90-003-03-340. Questioned costs of \$2.9 million were allowed.

**Houston Job Training Partnership Council (HJTPC) SDA**  
(Audit Report No. 06-89-002-03-340, issued September 29, 1989)

This OIG audit report on HJTPC questioned \$719,668 of JTPA expenditures. During a prior semiannual period, ETA issued a final determination on all findings except one. This final determination, discussed in a previous semiannual report, disallowed \$198,000 and established corrective action for the administrative findings. Resolution of the remaining unresolved finding, with questioned costs of \$511,884, is still pending.

On March 27, 1991, ETA issued a final determination on the remaining finding. The final determination disallowed \$332,936 and allowed \$178,948 based on the Grant Officer's review of additional documentation submitted by the State during audit resolution.

In addition, the final determination states that HJTPC has revised its monitoring procedures and guide and has established new policies on internship training, OJT with temporary agencies, placement with temporary agencies, and payment of commissions. Further, policies for OJT wage reimbursements and benchmark payments for participants hired to work directly with the contractor are reflected in amended language in HJTPC's current contracts.

**JTPA Technical Assistance and Training (TAT); Merritt and Co., Certified Public Accountants**  
(Audit Report No. 04-91-009-03-340, issued October 15, 1990)

At the request of ETA, the OIG reviewed the cash receipts and expenditures of Merritt and Company, P.C., CPAs, a contractor responsible for processing ETA's TAT payments and providing reimbursements to States, individual State personnel, and other vendors for costs associated with TAT-funded training and conferences.

ETA concurred with our recommendation that the Office of the Assistant Secretary for Administration and Management (OASAM) be used as the paying agent for TAT funds rather than an outside contractor. Further, ETA agreed that: (1) all regional TAT requirements will be procured by the ETA national office; (2) contracts, similar to the Merritt and Company contract, will not be used in the future to meet TAT needs; and (3) contract administration controls over the TAT contracts will be reviewed to ensure that the necessary review and reporting requirements are in place and working.

**Disposition of SESA Real Properties and Retention of DOL's Equity**  
(Audit Report No. 04-90-011-03-325, issued November 29, 1989)

The OIG had previously reported that the State of California had disposed of three properties that had been acquired, in whole or in part, with DOL grant funds. The State did not compensate

DOL for its equity when the properties were disposed of during 1979. The three properties consisted of two parcels of land and an office building. DOL's equity in the three properties, at cost, was \$528,451. ETA estimated the current value of the properties to be at least \$889,566.

In an Order Approving Settlement Agreement and Stipulation of Dismissal issued by the Department's Office of Administrative Law Judges (OALJ), ETA and the State of California agreed that the State will compensate the Department with equity in a replacement building (which has a current market value of about \$1.9 million), that future similar transactions will be conducted in conformity with applicable regulations, and that if the State acts in violation of this agreement, DOL will have the right to recover disallowed costs. The matter has been dismissed by the OALJ.

#### **State of Washington**

(Audit Report No. 09-88-658-03-340, issued September 12, 1988)

The audit report questioned costs of \$686,882 for unauthorized services provided under Section 123 of JTPA. Specifically, the Washington State Board of Vocational Education (SBVE), under contract to the Washington Employment Security Department, contracted with several vendors to provide economic development services to small business vendors. An additional \$761,262 in contract costs was questioned in a previous audit of SBVE for the same reason.

The funds in question were disallowed by ETA because funds expended under Section 123 may only be used for or on behalf of JTPA-eligible participants. It was determined that the economic development services provided did not meet this criteria.

#### **Michigan Department of Labor**

(Audit Report No. 05-90-039-50-598, issued March 28, 1990)

In this Single Audit, the auditors questioned a total of \$350,915 in DOL funds (including OSHA

and ETA) because the grantee did not adequately document several charges to the grant programs that it administers. The bureaus which administered Federal grant programs generally based charges for payroll expenditures to those programs on predetermined estimates. The individual employee time sheets did not identify the amount of time worked on the Federal programs. In some cases charges for services and materials were based upon an allocation which was not supported by adequate documentation and in other cases, the grantee could not provide documentation that the transactions had occurred.

The auditors concluded that the grantee needs to implement an individual employee time reporting system which identifies time worked on Federal grants and Federal grant accounting systems which provide adequate supporting documentation for services and materials charged to Federal grant programs.

During the audit resolution process, the grantee submitted documentation to substantiate \$270,108 of the questioned costs. OSHA has collected \$4,968 and ETA has established a debt of \$75,839 for the remainder of the disallowed costs.

#### **Job Corps Special Program Abuse Surveys**

As a result of several special program abuse surveys of Job Corps Center operations, the OIG reported that certain operators did not terminate all students who were "absent without official leave" (AWOL) and did not list all AWOL students as AWOL on applicable reports. In addition to inflating performance measurement statistics, questioned costs associated with inflated statistics were difficult to sustain because the contracts did not specifically call for such disallowance.

The Office of Job Corps has indicated that it will add language to the model Request for Proposal (RFP) that will directly address this problem and provide for a significant penalty for noncompliance. Inasmuch as the normal procurement process for a center is 8 months, we expect the new provisions to go into effect in October 1991.

**National Urban Indian Council**  
(Audit Report No. 18-90-033-03-355, issued  
September 28, 1990)

In a final management decision, ETA disallowed all \$322,702 questioned by the OIG in its audit of JTPA grants to the National Urban Indian Council (NUIC) for the period between July 1987 and July 1989. ETA has instituted debt collection proceedings for the full amount of the disallowed costs.

The OIG's questioned costs included several instances of less-than-arms-length transactions. For example, NUIC's chief executive officer entered into contracts with business associates to provide JTPA training services and materials (\$150,717). Furthermore, the OIG found no documentation that the services or materials were ever provided. Other findings included improper withdrawals from the Federal account (\$62,000) and unsupported expenditures (\$109,985).

**American Indian Fellowship Association**  
(Audit Report No. 05-90-061-03-355, issued  
August 1, 1990)

ETA disallowed a total of \$57,780 questioned by the OIG in this Single Audit (for the period January 1, 1987 to December 31, 1987) because the grantee did not comply with the provisions of OMB Circular A-122 for charging direct and indirect costs to the Federal grant program.

The grantee could not produce any time records, personnel activity reports, or other evidence to support the amount of the Executive Director's time charged to the Federal program. Moreover, the grantee established monthly office space rental and computer charges which were not based on actual usage and exceeded actual costs. Finally, the grantee received refunds of workers' compensation insurance premiums which had been charged to the Federal grant program in prior years and deposited them in the general fund rather than returning them to the Federal Government.

**City of Elizabeth, New Jersey CETA**  
(Audit Report No. 02-86-026-03-345, issued  
May 22, 1990)

In a final management decision, ETA disallowed all \$65,626 questioned in the audit of CETA funds at the City of Elizabeth, New Jersey. Questioned costs consisted of \$51,083 because of insufficient documentation and \$14,543 of payments to subgrantees in excess of incurred contract costs.

**Puerto Rico Office of Energy Single Audit**  
(Audit Report No. 02-90-244-03-345, issued  
July 2, 1990) and  
**County of Essex, New Jersey Single Audit**  
(Audit Report No. 02-90-242-03-345, issued  
June 15, 1990)

ETA disallowed all misspent CETA costs of \$101,500 included on the Schedules of Federal Assistance for Single Audits of the Puerto Rico Office of Energy (\$42,048) and the County of Essex, New Jersey, (\$59,452). The expenditures were disallowed because the CETA program had ended in 1983 and additional CETA expenditures were deemed to be unnecessary.

**Management's Commitment to  
Remedy Statutory Deficiencies**

Nonmonetary audit recommendations are important because they direct attention to improving internal controls and operating procedures. As in the following example, they may propose shifts in program emphasis or policy direction and may suggest the need for regulatory or legislative change.

**Changes are Needed in the ERISA  
Audit Process**  
(Audit Report No. 09-90-001-12-001; issued  
November 9, 1989)

The resolution of this audit report is an important step in increasing the protection of the retirement funds of millions of American workers for whom billions of dollars are held in trust. While



the OIG, the Pension and Welfare Benefits Administration (PWBA) and the American Institute of Certified Public Accountants (AICPA) generally agree on the steps that need to be taken, the OIG has recommended that the Department and the Congress each act to bring the process to closure.

Based in part on the findings of the OIG's ERISA audit work, the Department developed a legislative package in 1990 that called for a number of changes to ERISA. The package was cleared by OMB and submitted to the Congress on October 27, 1990; however, the Congress adjourned without taking action. The Secretary intends to review the proposal before submitting a legislative package to the new Congress.

The OIG's top priority is the elimination of the limited scope exemption provision at Section 103(a)(3)(C) of ERISA. This exemption allows plan administrators to exclude plan assets held by regulated banks and other financial institutions from the scope of the audit plan. Today, assets held in trust by federally regulated industries receive, at best, only sporadic audit coverage and little ERISA compliance work. The OIG believes that this exemption currently allows up to 43 percent or approximately \$774 billion in private pension plan assets to avoid audit examination each year.

In addition to concurring on elimination of the limited scope audit, the OIG and PWBA have reached general agreement on other particulars which will require legislative modification of ERISA.

The first would require direct reporting by plan auditors of both criminal acts by plan officials and the change of auditors by a plan. Current reporting of the termination of auditors by plan administrators is tenuous. The OIG believes that the Department's responsibility to plan participants is parallel to the Securities and Exchange Commission's (SEC) responsibility to holders of securities, and supports the establishment of a termination reporting mechanism patterned after the

successful SEC procedure for auditor changes. Under this procedure, registrants provide information about auditors who are dismissed by the entity being audited and file Form 8-K with the SEC, notifying it of the termination and its circumstances.

Next, the OIG strongly supports the Department's proposed amendments, based in part on audit recommendations, to Section 103(a)(3)(D) of ERISA to include a requirement that the qualified public accountant has been the subject of a peer review within a 3-year period prior to rendering an auditor's report. A peer review is an integral part of the AICPA's Practice Monitoring Program and requires periodic review of a firm's quality control program. Under this program, the public accountant is required to have reviewed the firm's quality control policies and procedures. In addition to the independent review every 3 years, the firms oftentimes take corrective action on the recommendations made as a result of the review.

The OIG's agreement with PWBA presumes continued Department and OMB support of these proposed changes to ERISA and legislative passage this calendar year. The need for these additional protections of the American workers' retirement funds is so pressing that any significant departure from this projected plan and schedule will require revisitation of these issues and recommendations.

In other actions to resolve this audit, as of March 1991, the "Audit and Accounting Guide - Audits of Employee Benefit Plans" received final approval for issuance from the AICPA's Auditing Standards Board. The audit guide now contains specific procedures for reviewing for certain prohibited transactions and contains improved reporting guidance which is expected to modernize guidance for ERISA plan audits.

The OIG has continued to work closely with the AICPA and PWBA on the development of the guide, which was issued in August 1990 for public comment. Subsequently, the AICPA received

and considered joint comments from OIG and PWBA, as well as from others in the audit community. The guide had also been reviewed by the Financial Accounting Standards Board and their comments have been addressed.

Finally, as a result of the OIG's review of the quality of IPA audits of employee benefit plans, IPAs who performed substandard work were referred to the AICPA Ethics Committee for

investigation. A total of 14 cases were referred to the AICPA. Of these, the AICPA concurred with our conclusions in 12 cases and took corrective actions. The corrective action generally consisted of requiring the IPAs to complete additional continuing education and to have future audit work submitted for review. It is significant to note that PWBA's Office of the Chief Accountant now conducts workpaper reviews and refers deficient auditors to the AICPA's Ethics Division or state licensing boards.

# Office of Audit

## Section 4

### Final Action Activity and Revised Management Decisions

A “final action” occurs when the actions required by an agency management decision have been completed (*i.e.*, report is closed). Below is a summary of management’s final action activity for this and previous semiannual periods:

Management’s Final Action Activity (\$ millions)				
Period Ending	Audit Reports Closed	Amount		Total Closed
		Written Off	Recovered	
3/31/90	291	\$0.0 *	\$2.4	\$2.4
9/30/90	282	\$6.6	\$44.1	\$50.7
3/31/91	230	\$4.0	\$51.6	\$55.6

\* Actual amount totals \$23,114; of total, \$22,879 was written off due to Federal Court decisions or through administrative appeal.

### Revised Management Decisions

The term “management decision” means the evaluation by agency management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions determined to be necessary.

The OIG is required to provide a description and explanation of the reasons for any significant revised management decisions made by departmental agencies during the reporting period. The OIG is also required to report on any significant management decision with which it is in disagreement.

During this reporting period, revised management decisions were issued on 12 audit reports, all by ETA. One of those, California Employment Development Department (DOL Equity in Real Property), Audit Report No. 04-90-011-03-325, issued November 29, 1989, is discussed in the previous section. A synopsis of the significant revised management decisions follows:

**Commonwealth of Puerto Rico,  
Economic Opportunity Office  
(Audit Report No. 02-86-010-03-340, issued  
May 27, 1988)**

In a post-Management Decision review, ETA allowed costs of \$153,596 that were questioned because certain OJT contracts lacked required prior approval by the Private Industry Council (PIC). The grantee successfully demonstrated to ETA that there were no factors during the grant period that would have caused the PIC to withhold approval, and the PIC retroactively approved the subject contracts.

**Kentucky Cabinet for Human Resources  
(Audit Report No. 04-90-014-50-598, issued  
November 13, 1989)**

On May 11, 1990, ETA issued a Management Decision that allowed all costs questioned by the OIG. The Grant Officer, however, questioned and disallowed \$2.2 million because of excess cash advances by the State of Kentucky to several Service Delivery Areas (SDAs). Subsequently, Kentucky implemented an electronic fund transfer (EFT) system which more efficiently disbursed JTPA funds to SDAs. A Department of Labor review of this system reported "that all outstanding advances of PY 1990 JTPA Title IIA to the SDAs had been recouped as a result of the implementation of the EFT system." In a post-Management Decision review, ETA has allowed the \$2.2 million in excess advances previously disallowed.

**Oklahoma Employment Security  
Commission  
(Audit Report No. 06-90-273-50-598, issued  
February 6, 1990)**

In a Management Decision dated August 2, 1990, ETA questioned \$193,284 until the grantee pro-

vided acceptable proof that the 1985 PY Title III Federal funds were 100 percent matched with non-Federal funds as required. The grantee subsequently provided information to ETA in the form of State auditor workpapers that demonstrate that the 100 percent match was achieved. In a post-Management Decision review ETA has allowed all questioned costs.

**Rosebud Sioux Tribe, South Dakota  
(Audit Report No. 11-79-207-C-166, issued  
January 14, 1981)**

The Department of Labor determined that certain Comprehensive Employment and Training Act (CETA) expenditures totaling \$1,206,412 were not allowable under the terms of various grants. The grantee appealed the decisions of the ETA grant officer with the case ending in the U.S. Court of Appeals for the Eighth Circuit.

With the concurrence of the U.S. Department of Justice, the Department of Labor has determined that it is in the best interest of the Government to accept the grantee's offer of \$500,000 in full satisfaction of the amount which remains disallowed and is now on appeal. In an Order Approving Settlement Agreement and Stipulation of Dismissal issued by the Department of Labor's Office of Administrative Law Judges (OALJ), the OALJ established a payment schedule for the \$500,000 debt and ordered the case(s) dismissed.

**Other Revised Management Decisions**

In 7 other revised management decisions, ETA allowed a total of \$55,561 in questioned costs primarily as a result of post-Management Decision reviews of additional documentation submitted by the auditee. These revised decisions occurred in the Job Training Partnership Act, State Employment Security Agency, Seasonal Farmworker, and Indian and Native American program areas.

## Chapter 2

### Office of Investigations

Although the OIG pursues all fraud, waste, and inefficiency in the Department, the Employment and Training Administration (ETA) has received the OIG's Office of Investigations' (OI) highest priority. During this reporting period, OI saw a dramatic development in the investigative resources expended on the Job Training Partnership Act (JTPA) program. For example, in Fiscal Year 1988, we spent 14% of our investigative time on JTPA. Those percentages grew to 16% in Fiscal Year 1989 and 23% in Fiscal Year 1990. We approached the 40% level for this reporting period.

From an investigative perspective, the OIG believes there are significant issues that need to be addressed in the JTPA program. Specifically, the JTPA complaint reporting mechanism needs to be improved so that States become more actively involved and readily refer instances of suspected fraud and abuse in the program to ETA and the OIG.

Additionally, OI intends to assign resources to the Unemployment Insurance (UI) program, particularly illicit interstate activity involving fictitious employer/employee schemes and false claims, as illustrated by the following.

#### **Multi-Million Nationwide Unemployment Insurance Fraud Scheme**

Based on an analysis of records and statements by defendants charged in an UI fraud scheme, the OIG estimates that 22 States may have lost millions of dollars over a 20-year period. Due to the duration of the scheme and the number of States and claimants involved, it is impossible for the OIG to determine the total loss. However, in one State alone, the losses have been determined to exceed \$4 million over a 2-year period. Based upon these factors, the losses are significant.

Daniel Ibarra, Jr., a prominent notary public, and his employees and family members Abraham Ibarra, Cynthia R. Ibarra, Grace A. Ibarra, Jaime E. Ibarra, and Carlos Ibarra, were charged in Del Rio, Texas, in January with conspiracy to defraud the Government through false claims. In a separate criminal information, Patricia Ibarra was charged with theft of public funds.

The investigation found that numerous claims filed by the defendants were fraudulent. The claims were made on behalf of registered aliens residing in Mexico who had previously worked in the United States. At one point, the States mailed at least 1,800 UI checks for claimants to approximately 75 addresses controlled by the defendants. There were instances where the defendants charged the aliens fees to complete their claim forms and to falsify required information including forging the claimants' signatures. Further, undercover OI agents learned that fraudulently obtained UI checks were converted to money orders by the defendants who then deducted their fees and sent the remainder of the money to the claimants in Mexico.

Patricia Ibarra faces a maximum penalty of 1 year imprisonment and/or a \$1,000 fine. The other defendants could each receive a maximum penalty of 10 years imprisonment and/or a \$20,000 fine.

The OIG was given extensive technical support in this investigation by ETA's Unemployment Insurance Service and the State Employment Security Agencies (SESAs) of the 22 States involved. *U.S. v. Ibarra et al.* (W.D. Texas)

### **Conspirators Defraud Government of \$5 Million in JTPA Funds**

In a scheme involving \$5 million over a 2-year period, Donald B. McConnell, the former deputy administrator of the Ohio Bureau of Employment Security (OBES), Robert C. McEanney, a lobbyist and former TeleCommunications, Inc. (TCI) consultant, Lawrence J. Brown, McConnell's former special assistant, and Scott Binder, an Ohio Department of Administrative Services employee, were accused of conspiring to obtain OBES multi-year, no-bid, telephone equipment and installation leases for TCI in numerous OBES offices which receive JTPA funds for the administration of DOL programs.

For his role in the scheme, McEanney received 25% to 30% in commission for each lease, for which TCI often charged 5 times the norm for the equipment purchases and installations, and which netted McEanney over \$1.6 million. He pled guilty to charges of conspiracy and was sentenced to 3 years probation. McConnell, who was also accused of soliciting and receiving approximately \$58,000 from McEanney, pled guilty in January to one count of bribery from a six-count indictment which included bribery, mail fraud, and conspiracy. He is awaiting sentencing. Brown pled guilty to charges of conspiracy and was sentenced in October to 18 months probation. Binder, who pled guilty to filing false Federal income tax returns, was sentenced to 300 hours community service, 2 years probation, and fined \$2,000.

For his failure to provide material evidence during the judicial proceedings, McEanney's lawyer, William Summers, was indicted in January on charges of obstruction of justice and conspiracy to obstruct justice. He will be tried in May.

This was a joint investigation by the OIG and the Federal Bureau of Investigation, resulting from

an OIG audit of the OBES which questioned \$6.2 million in procurement and related costs. *U.S. v. McEanney et al.* (N.D. Ohio)

### **\$252,000 in JTPA Funds Embezzled**

An OIG investigation into allegations of JTPA fraud revealed that Weldon Preston and his partner, alleged co-defendant George Washington, defrauded the JTPA program of approximately \$252,000 by over-billing the Motivation Education and Training, Inc., a JTPA sponsor, for training 121 participants. The OIG found that these reported participants were neither trained nor paid by W & W Enterprises, Inc., the fabricated firm formed by Preston and Washington to further the scheme. In fact, all 121 alleged participants were employed by Day and Zimmerman, Inc., a subcontractor of the Lone Star U.S. Army Ammunition Depot, in Texarkana, Texas.

Preston pled guilty to charges of "theft or embezzlement" of Federal funds in February and is awaiting sentencing. Washington is awaiting prosecution. *U.S. v. Preston* (E.D. Texas)

### **Conspirators Guilty of Racketeering and Fraud**

A Federal grand jury handed down a 40-count indictment in October against Carlos Quintanilla, the former director of "Operation SEARCH" (Securing Employment Advancement Resulting in Change), Joseph Monreal, the former director of Hispanic market development for the G. Heileman Brewing Co., and Leticia Gutierrez, a Monreal associate and community activist. SEARCH, a now defunct Chicago-based job training organization for low and moderate income Chicago Hispanic communities, was a recipient of JTPA and private corporation funds.

The indictment alleged that Quintanilla, Monreal and Gutierrez engaged in several schemes to defraud Heileman Brewing of promotional sponsorship money by creating, signing, and submitting to it false and inflated proposals on behalf of SEARCH and other Hispanic sports organiza-

tions and community groups. Further, based upon Monreal's recommendations, Heileman Brewing granted SEARCH approximately \$694,000 in sponsorship funds, of which a large portion was misappropriated or converted to other unauthorized uses by the defendants. Many proposals were supposedly prepared and forged by the defendants without the knowledge of the legitimate organizations. The indictment accused Monreal of receiving approximately \$295,000 in kickbacks through this scheme, of which approximately \$135,000 was paid directly by Quintanilla through Gutierrez or other third parties. Quintanilla allegedly received approximately \$165,000 which he used to operate SEARCH. The indictment also accused Gutierrez of receiving about \$145,000 in checks and cash kickbacks from various organizations, which she passed on to Monreal.

The three were each charged with racketeering, racketeering conspiracy, conspiracy to defraud the United States, and interstate transportation of stolen property. Individual charges included mail fraud, wire fraud, money laundering, and failure to file Federal income tax returns.

In another scheme, Quintanilla was accused of having defrauded the City of Chicago and misapplying JTPA funds by causing SEARCH to submit false claims stating that reimbursement payments had been made to certain on-the-job-training (OJT) employers. SEARCH had contracted with the City to provide job training services to disadvantaged and dislocated workers by enrolling participants in OJT positions and reimbursing employers for one-half the wages paid to the participants during the OJT period.

Monreal pled guilty in January to racketeering and conspiracy and is scheduled to be sentenced in April 1991. Quintanilla and Gutierrez were each found guilty of racketeering conspiracy and interstate transportation of money converted by fraud. Gutierrez was also convicted of money laundering, conspiracy to defraud the Internal Revenue Service and failing to file income tax returns.

This was a joint investigation conducted by the OIG, the U.S. Postal Inspection Service, and the U.S. Internal Revenue Service. *U.S. v. Quintanilla et al.* (E.D. Illinois)

### **Coal Mine Inspector Indicted for Bribery**

John T. Hinchman, a coal mine inspector and air ventilation specialist at the Mine Safety and Health Administration (MSHA) at Logan, West Virginia, was indicted in February by a Federal grand jury in Charleston, West Virginia. The five-count criminal indictment charged that Hinchman demanded and accepted cash payments for official acts performed, or to be performed. In his capacity at MSHA, Hinchman was responsible for reviewing and recommending approval of certain underground mine ventilation plans submitted to MSHA by coal mine operators. Evidence suggests that he demanded and accepted the bribes in exchange for assistance in preparation of the ventilation plans.

Hinchman is further accused of accepting cash payments four times during 1990, and that on a fifth occasion, he demanded or sought another illicit payment. If found guilty, he faces a maximum of 10 years imprisonment and fines of \$1.25 million. Hinchman has resigned from his position at MSHA. This investigation was conducted by the OIG with the assistance of MSHA. *U.S. v. Hinchman* (S.D. West Virginia)

### **Other Investigations**

The following cases, listed by major program area, are illustrative of other investigations conducted by OI during this period:

#### **Job Training Partnership Act (JTPA)**

1. Charles Koen, the former director of United Front, Inc. (UFI) of Cairo, Illinois, was convicted in February on charges of theft of Federal program funds, theft of public money,

false statements, arson, and mail fraud. The conviction stems from an August 1989 30-count indictment.

Evidence revealed that Koen willfully misapplied and embezzled Federal and State funds entrusted to UFI, using the money for personal debts. His false statements to DOL concerned salaries he claimed to have paid certain UFI employees. Evidence further disclosed that he had misapplied his employees' social security and income tax withholdings.

In a companion investigation, Koen's conviction of arson and mail fraud related to a 1985 fire set in the bank building which housed the UFI. Evidence disclosed that Koen and others were responsible for the arson and that he submitted false claims to the insurance company, resulting in the payment of over \$400,000 to Koen and others involved in the claim.

Sentencing is scheduled for April 1991. Koen faces another trial relating to income tax charges. This was a joint investigation by the OIG; the Internal Revenue Service; the Bureau of Alcohol, Tobacco and Firearms; the Illinois State Police's Division of Criminal Investigation; and the Illinois State Fire Marshal. *U.S. v. Koen* (S.D. Illinois)

2. Lavell and Patricia Wilson were indicted by a Federal grand jury, in January for conspiracy, bribery, filing false personal income tax returns, and filing, or causing to be filed, false corporate income tax returns for their LPL Consulting Corporation. The 8-count indictment alleges that, during a 3-1/2 year period, the Wilsons paid over \$50,000 in bribes to Saranettia Lang-Lampkin, former president and chief executive officer of the Lake County Job Training Corporation, to be awarded job training contracts. Lang-Lampkin was previously convicted on 1 count of extortion and 2 counts of filing false income tax returns and was sentenced to 1 year imprisonment. The Wilsons are awaiting trial.

This is an ongoing joint investigation by the OIG, the Internal Revenue Service, the Federal Bureau of Investigation, and the Indiana State Police. *U.S. v. Wilson et al.* (N.D. Indiana)

3. Under contract with the State of North Carolina, the manager of "70,001, Inc.," Edward J. Grasso, operated a JTPA pre-employment training and placement program. The OIG's investigation disclosed that "70,001" had falsified JTPA participants' records to overstate the program's success. Grasso pled guilty as a "principal" under 18 U.S.C. 2, and for false statements. He was sentenced to 18 months suspended probation and 200 hours of community service.

As a result of the OIG investigation, ETA charged the State's JTPA account a debt of \$178,028 in November. *U.S. v. Grasso* (D. South Carolina)

4. Dennis Allen Jones was sentenced in February to 5 years probation and ordered to pay \$96,000 restitution for his role in a scheme to defraud the JTPA program. The sentence resulted from a plea agreement with the Arizona State Attorney General following a State grand jury 29-count indictment charging Jones and the Cochise Private Industry Council (CPIC) executive director, Jane M. Wiegand, with various State charges including fraudulent schemes and artifices, theft, forgery, and misuse of public funds.

The indictment resulted from an investigation into a JTPA contract between Diversified Money Management, Inc. (DMM), owned and operated by Jones, and the CPIC, which had engaged DMM to train JTPA participants to become certified welders. The investigation disclosed that DMM had not procured either equipment or materials to conduct the training and that no participants were ever trained. Co-defendant Wiegand is awaiting trial. *Arizona v. Jones and Wiegand* (Arizona)



## Federal Employees' Compensation Act (FECA)

1. Pleading guilty to 3 counts of a 12-count indictment, James T. Wolkins admitted in February that he illegally received more than \$169,000 in FECA benefits. The indictment alleged that for 14 years Wolkins made false statements to the U.S. Government, and purposefully concealed income which he earned from various sources, including his Wolkins Sports Shop. The scheme dates back to 1971, when Wolkins suffered an on-the-job injury as a rural mail carrier, for which he received FECA benefits. He was sentenced to 2 years probation on each count, to run concurrently. *U.S. v. Wolkins* (S.D. Indiana.)

2. Former U.S. Navy Department civilian employee, Charles Borden, pled guilty in November to all 17 counts of an indictment that charged him with mail fraud, making false statements, and receiving FECA benefits without informing OWCP of income he received as a self-employed plumber. From 1981 until 1990, Borden received over \$150,000 in FECA benefits. The investigation disclosed that Borden filed business papers establishing his plumbing business the day before his alleged injury.

Borden was sentenced to a year and a day imprisonment, followed by 3 years probation, and to pay for all court costs. *U.S. v. Borden* (D. Massachusetts.)

3. Following a conviction on charges of making false statements to conceal his income from OWCP, Cecil H. Broyles, Jr. was sentenced in February to serve 15 months imprisonment. He was also ordered to make approximately \$146,000 restitution, in addition to payments recovered by OWCP through off-set of benefits due, and placed on 3 years supervised probation. *U.S. v. Broyles* (E.D. Virginia)

4. Lisco M. Hallmon was convicted in November on eight false statement counts regarding his claims for FECA benefits. He was sentenced to 1 year incarceration, 2 years of supervised probation, and fined \$400.

An OIG investigation revealed that Hallmon submitted forged medical documents, failed to report his employment as a security guard and pretended to be confined to a wheel chair in support of his FECA claim. Hallmon received over \$93,000 in FECA compensation and medical benefits. *U.S. v. Hallmon* (Washington, D.C.)

## Black Lung Program

1. Delores Sipple pled guilty in February to one count of a four-count indictment charging her with making false statements on annual questionnaires submitted to the Black Lung program. Evidence showed that Sipple concealed her 1986 re-marriage after the death of her first spouse, a Black Lung claimant, and continued to collect benefits as the unmarried widow of the claimant.

Sipple was sentenced to 1 month detention, 3 years probation, and to make approximately \$16,000 restitution. *U.S. v. Sipple* (E.D. Virginia.)

2. Following a scheme to defraud the Black Lung program, a pharmacist, David B. Cyphers, was sentenced in December to a 3 year suspended prison term, 3 years probation, and ordered to pay a \$1,100 fine. Cyphers was accused of conspiring with a physician and the physician's spouse to provide falsely prescribed drugs to patients and falsely bill DOL's Black Lung program. The physician and his wife were previously sentenced. *U.S. v. Cyphers* (W.D. Virginia)

## Davis-Bacon and Related Acts (DBRA)

1. The President of Del-Tray Construction Services, Inc., Delmas Conquest, Jr., pled guilty to a one-count criminal information charging him with making a false statement to conceal violations of the DBRA. He was sentenced in November to 2 years probation, 15 hours of community service and fined \$1,050. Conquest also paid approximately \$40,000 in restitution.

The sentencing resulted from an on-going investigation in which the Wage and Hour Division found Conquest in violation of DBRA and ordered him to make restitution to his employees. Instead, Conquest continued to underpay his employees and submitted false documents certifying that he was paying the required prevailing wages.

This was a joint investigation by the OIG, DOL's Wage and Hour Division, and the Defense Criminal Investigative Service. *U.S. v. Conquest* (D. Delaware.)

2. James Biddle, the owner and president of Mader Construction, pled guilty to a one-count criminal information charging him with bribery. He was sentenced in December to 3 years probation, 1 month house detention, and fined \$10,000.

Biddle was charged with bribery for paying \$10,000 to an undercover OIG special agent posing as a Wage and Hour compliance officer in order to reduce the back wages that his company owed on a Department of Housing and Urban Development sponsored senior citizen facility in Long Island, New York. *U.S. v. Biddle* (E.D. New York.)

3. John Phelps, sole proprietor of Professional Coatings, was sentenced in December to 21 months imprisonment, ordered to make approximately \$54,000 restitution and placed on supervised release for 3 years after incarceration. His sentence follows a conviction for failing to pay prevailing wage rates on

federally-funded construction projects as required by DBRA at Triple Hospital, Ft. Shafter, Schofield Barracks, and Wheeler Air Force Base. He had previously been ordered by the Wage and Hour Division to pay his employees their back wages. He complied with the order but coerced his employees to kick-back the wages. *U.S. v. Phelps* (D. Hawaii)

4. Consort, Inc., a Barnsville, Maryland, construction company, along with its Vice-President Burton Slatnick, pled guilty in December to filing a false, certified payroll record on a Federal construction project, and in March to one-count of false statements and aiding and abetting. The investigation disclosed that Consort, Inc. falsely certified it had paid its mechanics and laborers at the DBRA required prevailing wage rates, when in fact it had not.

The firm was fined \$25,000; however, the fine was suspended on the condition that restitution for back wages due to its bricklayers be made within 6 months. Slatnick's sentence included a 1 year, suspended prison term, and 3 years probation. Charges against Consort, Inc., President, Thomas Barnes, were dismissed.

This case was investigated by the OIG and the DOL's Wage and Hour Division with the assistance of the Federal Bureau of Investigation. *U.S. v. Slatnick and Consort, Inc.* (D. Maryland.)

## Office of Safety and Health Administration (OSHA)

The co-owners of L & T Construction Company, Inc., Paul Tavana and Salvatore Rizza, pled guilty in October to one count of conspiracy to bribe. In efforts to reduce the potential number of safety violation findings at their Wethersfield construction site, they attempted to bribe an undercover OIG special agent, posing as an OSHA compliance officer, with \$500.

Tavana and Rizza were each sentenced in November to 3 years probation, 2 months house detention, fined \$5,000, assessed \$500, and ordered to serve 100 hours of community service. *U.S. v. Tavana and Rizza* (D. Connecticut, at New Haven)

## Unemployment Insurance (UI)

1. William A. Dietz the organizer of a widespread scheme to defraud the UI program, pled guilty in December to an 28-count indictment. He was sentenced in February to 35 months incarceration and 3 years supervised parole, ordered to make approximately \$161,000 restitution and assessed \$1,400.

Christopher Dietz, William's son, pled guilty in September to seven felony counts for having submitted false UI claims and for using fictitious names and social security numbers. Dietz was sentenced in November to 1 year imprisonment and 2 years probation, ordered to make \$33,000 restitution, and assessed \$350.

All four of the family members involved in the scheme, which victimized seven States over the last decade, pled guilty. Criminal charges against his wife and a daughter-in-law were

previously reported. *U.S. v. Dietz et al.* (D. Massachusetts).

2. Seventy-nine Elegante Sleepwear factory workers were indicted in January for misappropriation of public funds from the Puerto Rico Department of Labor and for illegally obtaining over \$95,000 in Federal and State funds during 1986 and 1987. Individuals indicted included Gloria Gonzalez, the firm's secretary, who had overall administrative responsibilities for the San German area factory. She is accused, along with other employees, of falsifying unemployment insurance forms. The Elegante workers were allegedly reporting fewer hours than they had actually worked and less earnings to qualify for partial UI benefits. *Puerto Rico v. Gonzalez* (D. Puerto Rico, Mayaguez)

## Foreign Labor Certification

A Federal grand jury returned a four-count indictment in March charging that Brendan Mahoney, while employed as a legal aid in a law firm, allegedly fabricated and submitted false documents to the U.S. Department of Labor for clients applying for foreign labor certificates. *U.S. v. Mahoney* (D. New Mexico)

## Complaint Handling Activities

Sources	Number
Walk-in .....	4
IG Hotline .....	43
Other telephone calls .....	9
Letters from the Congress .....	5
Letters from individuals or organizations .....	84
Letters from DOL agencies .....	120
Letters from Non-DOL agencies .....	142
Incident Reports from DOL agencies .....	57
Reports by Special Agents and Auditors .....	51
Referrals from GAO .....	3
 Total .....	 518

Disposition	Number
Referred to Office of Audit or Office of Investigations .....	261
Referred to DOL program management .....	28
Referred to other agencies .....	4
No further action required .....	115
Pending disposition at end of period .....	110
 Total .....	 518

## Chapter 3

### Office of Labor Racketeering

In one of its most productive reporting periods, the OIG's Office of Labor Racketeering (OLR) achieved significant results in the distinct areas of traditional labor racketeering and fraudulent Multiple Employer Welfare Arrangements (MEWAs).

In New Jersey, a civil racketeering suit was filed against the president of the Hotel Employees and Restaurant Employees International Union (HERE) and its Local 54 in Atlantic City. It alleges 20 years of racketeer domination by means of extortion, murder, and bribery. In New York, six former officials of Painters Union District Council 9 pled guilty to enterprise corruption, bribery, and extortion. These and other investigations aimed at reducing labor racketeering in selected industries illustrate the continuing presence of corruption in organized labor. Organized crime continues to infiltrate and dominate vulnerable labor organizations. Attacking this corruption and domination by means of the Racketeering Influenced and Corrupt Organizations (RICO) statute, other Federal statutes, and similar State statutes has been, and continues to be, a primary strategy of OLR.

Efforts by OLR in the past 18 months against fraudulent MEWAs have begun to come to fruition during this reporting period. Leaving behind unpaid medical bills in the millions of dollars, these scams have ruined thousands of innocent working men and women. Working closely with State insurance regulators and other Federal investigative agencies, OLR has obtained nine indictments and seven convictions of individuals involved in criminal MEWA activities during this reporting period. Highly publicized cases such as CAP Programs and Omni Trust serve to educate the public about the nature and extent of fraud being perpetrated while sending a message to prospective criminals in various parts of the country.

Examples of significant cases follow.

## Employee Benefit Plans

### CAP Programs, Inc. Officers Arrested

The president of a North Carolina labor leasing company and five associates were arrested in December on charges stemming from, among other things, the operation of a fraudulent MEWA. The arrests were a result of a 42-count Federal grand jury indictment in Charlotte which included charges of mail fraud, interstate transportation of money obtained by fraud, embezzlement from an employee benefit plan, money laundering, and conspiracy.

Robert W. Long, president, and Victor Blackwell, vice-president of CAP Programs, Inc., a Charlotte, North Carolina automobile leasing company were arrested in Charlotte. Jerry M. Wolicki, vice-president of CAP Programs and Michael Spieles, president of Universal Staffing Associates, a related employee leasing company in Palm City, Florida, were arrested in Palm City. Ronald Harris, secretary, CAP Staffing, Inc., a related Charlotte based employee leasing company, was arrested in Greenville, South Carolina. Michael A. Krebsler, an officer of Universal Staffing Associates, was arrested in Las Vegas, Nevada.

The indictment charged that the defendants defrauded in excess of 120 businesses and their employees by causing them to believe they were covered by health insurance and other personal benefits when only minimal coverage was provided.

CAP Staffing represented that their medical plan was underwritten by the Travelers Insurance Company when in fact it was not. CAP Staffing was to forward premium proceeds to Travelers for the payment of claims. However, most premiums were diverted for other uses.

When this scheme began to unravel due to non-payment of claims, Spieles created Universal Staffing Associates. Spieles offered CAP Staffing health plan participants continued coverage and the assurance that CAP Staffing claims would

be paid. The scheme then allegedly continued under Universal Staffing Associates. Approximately \$500,000 in contributions was allegedly expended for purposes other than the payment of medical claims and defraying reasonable administrative expenses.

A forfeiture complaint and other documents filed in Federal district court in Charlotte have allowed the U.S. Government, under the Federal money laundering statutes, to seize residences, resort condominiums, a motor home worth approximately \$400,000, automobiles, office and mining equipment, business and personal bank accounts, and other assets connected to the scheme.

The investigation was conducted jointly by the Postal Inspection Service, Internal Revenue Service, the Federal Bureau of Investigation, and the OIG's Office of Labor Racketeering. *U.S. v. Long et al.* (W.D. North Carolina)

### OMNI Trust Indictments Returned, President Pleads Guilty

The president and two other top executives of a Boston company administering health plans were indicted on March 14, 1991, by a Federal grand jury in Boston in a 27-count felony indictment charging kickbacks, conspiracy, embezzlement, mail fraud, and reporting violations. The individuals allegedly defrauded benefit trusts providing medical benefits to thousands of New England workers and their families.

Richard Rowe, president of Harbor Medical Administrators, Inc., Boston, pled guilty in March to all 22 counts in which he was named in the Boston indictment. He also pled guilty to embezzlement charges in an indictment returned by a Federal grand jury in Atlanta in 1990 (see Harbor Medical Administrators summary below).

Rowe admitted to inducing employers to pay premiums into the Omni Trust by misrepresenting the trust as a Government-approved employee benefit plan operating under Federal law. He admitted to conspiring with others to convert from MEWAs more than \$500,000 in assets of the

Omni Trust in Boston, \$368,000 from the Omni Employee Benefit Trust in Atlanta, and more than \$600,000 from the Automotive Employee Benefit Trust (AEBT) from 1985 to 1989.

The other two executives, Philip W. Carpenter, the executive vice president, and Anne B. Dunlop, the general manager, are awaiting trial.

Harbor Medical Administrators was the administrator of the Omni Medical Health and Welfare Trust (Omni Trust), a self-insured group health arrangement providing benefits to more than 600 employers and their employees and dependents. Harbor was also the administrator of AEBT, which provided benefits to participating employers, employees, and dependents of the Massachusetts State Automobile Dealers Associations.

In early 1990, both the Omni Trust and AEBT were bankrupt as a result of the fraudulent schemes. The Omni Trust participants were left with approximately \$2.5 million in unpaid medical claims, and the AEBT participants were left with approximately \$1.8 million in unpaid claims. These victims must now contend with these unpaid medical bills, negative credit reports, and future uninsurability due to "previously existing" medical conditions. Individual losses as high as \$250,000 have been incurred.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering, the Pension and Welfare Benefits Administration, and the U.S. Postal Inspection Service. *U.S. v. Rowe et al.* (D. Massachusetts)

### **Harbor Medical Administrators Plead Guilty**

Four individuals and two corporations pled guilty in Atlanta to a January 1990 indictment that charged embezzlements and kickbacks in the operation of a self-insured group health arrangement.

Those convicted are Harbor Medical Administrators of Georgia, Inc.; Frank Buccheri, president

and trustee of Omni Employee Benefit Trust in Atlanta and CEO of Harbor Medical; Catherine Steele, secretary and chief financial officer of Omni Trust and Harbor Medical; Richard Rowe, a Connecticut resident and founder of Omni Medical Health and Welfare Trust in Boston, Massachusetts, and Omni Employee Benefit Trust in Atlanta; Southeast Group, Inc., a corporation established by Buccheri; and James Craighead, president of Drivers, Warehousemen, Maintenance and Allied Workers of America Local 1 of White House, Tennessee.

Harbor Medical Administrators of Georgia, Inc. was a third party administrator for the Omni Employee Benefit Trust in Atlanta, a MEWA, which provided health benefits in 16 States to approximately 9,000 employees of nearly 300 companies. Harbor Medical Administrators, Inc. of Boston, Massachusetts, and Omni Trust opened an Atlanta, Georgia, office in 1987 to handle clients in the Southeastern United States. The Atlanta office closed down in the fall of 1988 when the Georgia Department of Insurance filed a Cease and Desist Order against the business and put it into receivership.

The defendants pled guilty to the following charges:

- Buccheri, Rowe, and Harbor Medical: Embezzlement of \$368,788 from the Omni Employee Benefit Trust by taking unauthorized commissions and expenses.
- Harbor Medical, Buccheri, and Craighead: Kickbacks by Harbor Medical and Buccheri of \$4,670 to Craighead in the form of payments to the Ford Motor Credit Corporation on Craighead's Lincoln Towncar. The purpose of the kickbacks was to secure Craighead's influence in the awarding of a health care contract to Omni.
- Southeast Group and Buccheri: Receipt of \$19,068 in kickbacks from two insurance companies to allow one company to provide life and accidental death and dismemberment insurance and the other to provide stop loss coverage to Omni Trust.

- **Steele:** A superseding information charging reporting and disclosure violations under the Employee Retirement Income Security Act.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering, the Federal Bureau of Investigation, the Georgia State Insurance Commission, and the Georgia Bureau of Investigation. *U.S. v. Buccheri et al.* (N.D. Georgia)

### **Former Teamsters Officials Pleads Guilty to Embezzlement**

Richard E. Robidoux and George F. Burke, Jr., both former officials of Teamsters Local 671, East Hartford, Connecticut, pled guilty in Federal district court in Hartford on November 13, 1990, to embezzlement and conspiracy to embezzle from an employee benefit plan.

Robidoux, the former secretary treasurer of Local 671 and chairman of the board of trustees of its health services fund, pled guilty to embezzlement of a substantial part of a \$100,000 payment from the fund to his co-defendant. Burke, a former organizer for Local 671, pled guilty to conspiracy to embezzle from the fund.

OLR's investigation centered on illegal kickbacks to Robidoux by Burke in connection with construction of a multi-million dollar building to house the union and its affiliated health plan. Testimony showed that Burke had little or no contact with the project's architects or contractor, yet he received a \$100,000 fee for his services. Testimony also showed that the fee to Burke was paid only after Robidoux made a personal request of the construction company for its payment.

After Burke received the payment, he provided 12 separate checks totalling \$30,000 payable to Richard Robidoux, which were deposited into Robidoux's personal bank account. The next day Robidoux used those funds to close on a condominium he had recently purchased. *U.S. v. Robidoux et al.* (D. Connecticut)

### **Guilty Plea in \$7.5 Million Embezzlement**

Anthony F. Matarazzo of Saddle River, New Jersey, pled guilty on November 8, 1990, to embezzlement of approximately \$7.5 million from 4 employee pension and profit sharing plans of trucking companies for which he was chief operating officer.

The investigation disclosed Matarazzo controlled and appointed himself sole trustee of the retirement plans of Distribution Shipping Company, Kearney, New Jersey; Arrow Carrier Corporation, North Bergen, New Jersey; Holmes Transportation, Inc., Framingham, Massachusetts, and its subsidiary Blue Line Express. During the period of December 1987 to January 1990, Matarazzo made disbursements to stock brokerages or personal accounts he owned. These accounts were then liquidated. The trucking companies are now in bankruptcy.

Matarazzo pled guilty to a four-count information filed in the Federal District Court for the District of New Jersey in Newark. Under the terms of the plea agreement, Matarazzo must make restitution to the plans and forfeit all interest in his trucking companies and residence. The plea agreement also permanently bars him from serving as a fiduciary to any employee benefit plan covered by the Employee Retirement Income Security Act.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering and the Pension and Welfare Benefits Administration. *U.S. v. Matarazzo* (D. New Jersey).

### **Former President of Teamsters Local 560 Permanently Barred**

Michael Sciarra, former Teamsters Local 560 president, has been permanently enjoined from holding any office or position of trust or otherwise endeavoring to influence the affairs of Team-



sters Local 560 in Union City, New Jersey, or any of its benefit plans.

On January 7, 1991, U.S. District Court Judge Dickinson R. DeBevoise issued a permanent injunction based on a court action brought by the U.S. Attorney for the District of New Jersey. This action charged that organized crime still tries to maintain control over the local.

The local has been under a Federal trusteeship since 1986. The trusteeship was the result of a civil RICO suit filed in 1982 charging the local, its benefit plans, and all its officers, led by the late Anthony Provenzano, with conducting the business of the local through a long history of corruption, murder, and violence under the influence of organized crime.

Judge DeBevoise in his decision granting the permanent injunction stated, "... unless Sciarra is removed from any position within Local 560, he will assume control of the union, directly or indirectly, and thereby subjugate Local 560 once again to the control of the Genovese organized crime family." *U.S. v. Local 560, IBT* (D. New Jersey)

## **Internal Union Affairs**

### **Hotel and Restaurant Employees Union Trusteeship**

Edward T. Hanley, the president of Hotel Employees and Restaurant Employees International Union (HERE); HERE Local 54 in Atlantic City; 9 current and former officers of Local 54; and 10 persons alleged to be associated with the Bruno/Scarfo Family of La Cosa Nostra were the subjects of a civil racketeering suit filed in December 1990 by the United States Attorney for the District of New Jersey in Newark.

The complaint, filed under civil provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute, alleged that for over 20 years, the defendants conducted the affairs of the union and

its affiliated benefit plans through a pattern of racketeering activity. This activity included murder, conspiracy to commit murder, extortion, bribery of public officials, embezzlement of union and benefit plan funds, and illegal payments to a union official.

The complaint charged that the defendants allowed the union to be corrupted by organized crime members and associates. The complaint sought a court-appointed trustee to ensure the elimination of organized crime from the union and the return of democratic procedures.

The complaint also asked the court for a permanent injunction to restrain the defendants from direct or indirect participation in any affairs of the union, to restrain the current executive board and officers of the union from taking any action for or on behalf of the named defendants, and to restrain anyone from interfering with court-appointed trustees.

This complaint resulted from a joint investigation by the OIG's Office of Labor Racketeering and the Federal Bureau of Investigation. *U.S. v. Hanley et al.* (D. New Jersey)

### **Massachusetts Carpenters Union Official Arrested**

A leading Massachusetts Carpenters Union health plan trustee and assistant business agent was charged on March 20, 1991, by a Federal grand jury in Boston, in a 12-count felony indictment with health plan fraud, perjury, deprivation of rights of a union member, and reporting violations. The defendant, Richard McInnis, was arrested at the union hall by OLR special agents on March 20, 1991.

The indictment charged that from 1985 to 1988 McInnis embezzled assets of the Carpenters health plan through a pattern of false travel claims. The health plan is an employee welfare benefit plan governed by the Employee Retirement Income Security Act. McInnis' fraudulent claims were

associated with five union-related business trips to Atlantic City, Las Vegas, Lake Tahoe, and Orlando.

McInnis is also charged with committing perjury in 1988 while testifying as a witness before a United States grand jury investigating corruption and embezzlement by labor union officials of the Massachusetts State Carpenters Health and Welfare Fund.

Finally, McInnis is charged with using force and violence at a union executive board meeting in 1990 to deny a union member the right to express opinions.

This investigation was conducted jointly by the OIG's Office of Labor Racketeering and DOL's Office of Labor-Management Standards. *U.S. v. McInnis* (D. Massachusetts)

### **Former Steelworkers Local President Convicted in Gambling Case**

Phillip Cyprian, former president of United Steelworkers of America (USWA) Local 1014 in Gary, Indiana, was convicted by a Federal jury in Hammond, Indiana, on February 7, on 15 counts that included embezzlement of union funds, false union records, illegal gambling, conspiracy, and false tax returns.

Also convicted were Monsignor John F. Morales, pastor of Nativity Parish, Portage, Indiana, on five counts including conspiracy, illegal gambling, perjury, and false tax returns; Leroy Williams, former USWA Local 1014 officer, on three counts including conspiracy, illegal gambling, and false union records; and Louis Del Grosso, an amusement operator from Miami, Florida, on illegal gambling and conspiracy.

An April 1990 indictment had charged Cyprian, Morales, Williams, and Del Grosso with operating an illegal gambling operation at the Local 1014 hall in Gary. The defendants attempted to

disguise the multi-million dollar illegal operation as a charitable, tax exempt church fundraiser when, in fact, the only people to benefit were the defendants.

In addition to the gambling operation, Cyprian was charged with the embezzlement of union funds, in that he demanded and received 10 percent kickbacks, through the inflation of charges for services from vendors who did business with the union.

Cyprian and Williams were also charged with creating false union financial records to conceal the kickbacks and other embezzlements.

Cyprian faces a possible maximum sentence of 55 years in prison and fines of nearly \$3 million; Morales faces 21 years and \$1.25 million in fines; Del Grosso faces 10 years and \$500,000 in fines; and Williams faces 11 years and \$600,000 in fines.

In addition to these defendants, eight others were charged in the April indictment. Those still awaiting trial are General "Jack" Parton, USWA District 31 director and former Local 1014 president, and Harry Piasecki, District 31 employee and former Local 1014 president. Parton and Piasecki will be tried on a RICO charge for allegedly running Local 1014 through a pattern of racketeering activity involving embezzlements and kickbacks. Also awaiting trial at a future date is Seymour Klein, who was severed from the trial due to health reasons.

The five other individuals charged in the April indictment pled guilty to charges prior to the trial and await sentencing. Those individuals are Kathleen Rainey, Mardell Grandy, Seymour Levin, Ezell Cooper, and Enrique Montemayor. Cooper and Montemayor are former Local 1014 officers.

These indictments, convictions, and pleas result from a joint investigation by the OIG's Office of Labor Racketeering and the Internal Revenue Service. *U.S. v. Philip Cyprian et al.* (N.D. Indiana)

## **Operating Engineers Local 101 Convictions Overturned**

On December 5, 1990, U.S. District Court Judge Scott Wright set aside the jury convictions of Kansas City labor leader Sam Long and Missouri State representative Elmer J. Cantrell for stealing \$10,000 in union money. Judge Wright found there was insufficient evidence of intent to defraud.

Long and Cantrell were convicted on September 27, 1990, on charges of conspiracy, embezzlement of union funds, and interstate transportation of stolen property. A June 14, 1990, indictment had charged that the defendants caused the interstate transportation of two checks totaling \$10,000 which they fraudulently obtained from the International Union of Operating Engineers in Washington, D.C. Long and Cantrell were charged with additional counts of conspiracy, embezzlement, and interstate transportation of stolen funds for allegedly concealing the original \$10,000 theft, by embezzling from Local 101, to reimburse the International Union in Washington.

The U.S. Attorney's Office is appealing the order to set aside the convictions of Cantrell and Long. *U.S. v. Cantrell et al.* (W.D. Missouri)

## **Labor Management Relations**

### **District Council No. 9 of the International Brotherhood of Painters and Allied Trades**

Six former Painters Union officials pled guilty in March 1991 in New York State Supreme Court to enterprise corruption, bribery, and grand larceny by extortion.

A June 1990 indictment had charged the defendants, under the New York State Organized Crime Control Act, with the crimes of enterprise corruption, bribing a labor official, receiving bribes,

grand larceny, coercion, and conspiracy. The indictment charged that for the past 12 years the defendants, along with members and associates of the Luchese crime family and various painting contractors, were members of a criminal enterprise. This enterprise controlled the affairs of District Council 9 and extracted hundreds of thousands of dollars in bribes and kickbacks on painting contracts in the New York metropolitan area.

The former Painters Union officials who pled guilty were: Paul Kamen, former secretary-treasurer of District Council 9; Edward Capaldo, business manager of Local 1486; Joseph Candiano; Edward Filancia; Aaron Lefkowitz; and Salvatore Savarese, former business agents for District Council 9.

Edward Capaldo, a dominant force in the New York City painting industry, admitted that the purpose of the criminal enterprise was to exact payments from painting contractors who did work for the New York City Transit Authority. Capaldo was able to perpetuate his criminal enterprise by controlling key positions in District Council 9.

Shortly before the International Brotherhood of Painters and Allied Trades, Washington, D.C., placed District Council 9 in trusteeship, the majority of the named defendants resigned their union positions.

This case is the result of a joint investigation conducted by the OIG's Office of Labor Racketeering, the District Attorney's Office of New York County, and the Organized Crime Control Bureau of the New York Police Department. *U.S. v. Capaldo* (Manhattan District Attorney's Office).

### **Paschal McGuinness Indicted for Taking Prohibited Payments**

Paschal McGuinness, the President of the District Council of New York City and Vicinity of the United Brotherhood of Carpenters and Joiners of America and Carpenters Local 608, was in-

dicted in November 1990 by a Federal grand jury on charges of accepting payments in cash and kind from contractors who worked within the jurisdiction of Local 608 in New York City.

The five-count indictment alleges that from the late 1970's until November 29, 1990, McGuinness, acting with another union official, John F. O'Connor, agreed to solicit and accept payments from various employers working within Local 608's jurisdiction. The payments were allegedly made by employers to assure the goodwill of McGuinness and other union officials who controlled the quality of workers that the union would assign to various jobs. In other instances, McGuinness allegedly received payments from individuals who did not employ union workers, with the understanding that the workers would be permitted to continue working non-union without fear of pickets or other union strife.

The indictment is the result of a joint investigation conducted by the OIG's Office of Labor Racketeering; the United States Attorney's Office, Southern District of New York; the Office of the Manhattan District Attorney; the New York State Commission of Investigation; and the New York State Organized Crime Task Force. *U.S. v. McGuinness* (S.D. New York)

### **Businessmen Convicted for Payments to Garmentworkers Official**

Two New Jersey business executives were convicted in Federal court on December 20, 1990, on charges stemming from a 6-year pattern of racketeering involving the Philadelphia-South Jersey International Ladies' Garment Workers Union (ILGWU) District Council.

Michael Sarbello, president of Associated Packaging Company, Inc. (API) of Gloucester County, was convicted of 2 counts of racketeering under the Racketeering Influenced and Corrupt Organizations (RICO) statute, 1 count of racketeering (RICO) conspiracy, and 18 counts of bribery involving illegal payments to a union official. Joseph John Centurione, vice president of API, was convicted of racketeering (RICO) conspiracy.

Sarbello and Centurione were found guilty of racketeering conspiracy by making illegal labor peace payoffs to Harry Benn, ILGWU district manager, and of State commercial bribery by paying kickbacks of over \$87,000 to a glass products manufacturer in return for his purchasing API products.

Sarbello was convicted of two substantive violations of the RICO statute in making illegal payments to a union official, State commercial bribery, and using the money derived from a pattern of racketeering activity to acquire interests in other businesses. Sarbello was also convicted of 18 counts of making illegal payments to a union official.

The April 24, 1990, indictment charged that the defendants made illegal labor peace payoffs to Harry Benn, who was an ILGWU district manager and assistant manager for 25 years. They also negotiated contracts with Benn that included favorable provisions such as a 13-week waiting period before new employees would become eligible for health and welfare benefits and a 40-hour work week. The ILGWU contract calls for a 35-hour work week with any time worked after that paid as overtime. Allegedly, Benn, who was not indicted, received 25 percent of the savings derived from this arrangement as kickbacks. The indictment listed nearly 80 payments to Benn ranging from \$350 to \$3,125 from June 1980 to June 1987. *U.S. v. Sarbello* (D. New Jersey)

## Chapter 4

### Office of Resource Management and Legislative Assessment

The Office of Resource Management and Legislative Assessment fulfills several responsibilities mandated by the Inspector General Act of 1978, including legislative and regulatory review, reporting to the Congress, and performing general management and support activities to achieve the mission of the OIG.

Section 4(a) of the Inspector General Act of 1978 requires the Inspector General to review existing and proposed regulations and to make recommendations in the *Semi-annual Report* concerning the impact on the economy and efficiency of the administration of the Department's programs and on the prevention of fraud and abuse. The most pressing recommendations follow.

#### Clarification of OIG Investigative Authority

The Justice Department's Office of Legal Counsel's (OLC) March 1989 opinion continues to limit the ability of OIG's Office of Investigations to conduct criminal investigations into fraud relating to the specific areas of employee benefit abuse, reckless endangerment of employee safety and health, and wage and hour standards where neither Federal funds or employees are involved.

Although the OIG has benefited from recently delivered Department analyses of the OLC opinion, there are a number of areas which remain unclear. The OIG believes that legislative remedy is appropriate to clarify the jurisdiction issue.

#### Proposed Legislative Language

In order to clarify the OIG's investigative authority, on February 15, 1991, the OIG proposed the following legislative language to the Department:

"It shall be the duty and responsibility of the Inspector General of the U.S. Department of Labor to detect and investigate violations of Federal criminal law, including violations of Title 18 of the U.S. Code, relating to the

programs and operations administered, financed, or regulated by the U.S. Department of Labor. This duty and responsibility shall not be deemed to constitute 'program operating responsibilities' as otherwise prohibited by the Inspector General Act of 1978, as amended."

In order to clarify the scope of the Department's investigative authority, the OIG is proposing an amendment to The Comprehensive Crime Control Act of 1984, as follows:

"The Secretary shall have the responsibility and authority to detect and investigate and refer, where appropriate, civil and criminal violations related to the provisions of the Employee Retirement Income Security Act, the Labor Management Reporting and Disclosure Act, the Taft-Hartley Act (29 U.S.C. 186), and other related Federal laws. This responsibility and authority shall include the detection, investigation, and appropriate referrals of related violations of Title 18 of the United States Code, including but not limited to violations of the Hobbs Act (18 U.S.C. 1951). Nothing in this subsection shall be construed to preclude other appropriate Federal agencies from detecting and investigating civil and criminal violations of this title and other related Federal laws."

## Other Legislative Concerns

### S. 445, "The OSHA Criminal Penalty Reform Act"

The Inspector General testified at a hearing before the Senate Subcommittee on Labor of the Labor and Human Resources Committee in support of OSHA criminal penalty reform. He testified that stronger criminal penalties would have a positive impact on promoting a safer workplace through deterrence.

He also testified that civil penalties alone are, in many cases, merely a cost of doing business for employers, particularly when the cost of the fine is far less than the cost of hazard abatement; that the Department's OSHA compliance personnel presently lack accepted criminal investigative training and experience which would impede criminal enforcement efforts; and that the multi-layer review process within the Department is time-consuming and results in referrals which are stale and unattractive to the Department of Justice.

The OIG is currently conducting an audit of OSHA enforcement. This would include the impact of civil fines on OSHA.

### H.R. 740, "Job Training Partnership Act Amendments of 1991"

The OIG recommends that the Department and the Congress support passage of this bill or similar legislation which would alleviate some longstanding problems within JTPA; specifically, about serving those most in need, adequately accounting for costs charged the Government, and greater fairness and specificity in contracting for JTPA services. The Department has supported this kind of legislation in the past.

## ERISA Enforcement Enhancement

The OIG continues to support legislation which would attempt to improve the enforcement of ERISA. The Department supported legislation introduced (but not passed) in the last Congress which would help achieve this goal insofar as it would repeal the limited-scope audit and would require an independent public accountant to undergo a peer review for qualification. The OIG believes that these issues need to be addressed through legislation such as S.269, which would eliminate the limited-scope audit.

In addition, the OIG, PWBA, and the Department agreed that legislation should be pursued which would require plan administrators to directly report criminal violations to the Department within 7 days of its discovery.

### Legislation to provide Law Enforcement Authority for OIG Special Agents

The lack of law enforcement authority impedes the ability of OIG Office of Labor Racketeering and Office of Investigations special agents to perform many traditional law enforcement responsibilities and presents a real problem of safety for witnesses and agents.

While DOJ's temporary deputization of some of the OIG's criminal investigators has proved beneficial in the past, it has only been a palliative remedy and does not adequately meet the need for permanent law enforcement powers necessary to ensure success and safety; moreover, the renewal process has proved to be inefficient.

Full law enforcement authority includes making arrests, executing search warrants, and carrying firearms -- in essence, the ability for OIG criminal

investigators to conduct their investigations with the same tools and safeguards granted to the traditional law enforcement agencies such as the Federal Bureau of Investigation, Drug Enforcement Agency, Internal Revenue Service, Customs, and the Secret Service (all GS-1811 investigators). We will continue to support legislation to address this concern.

### **Exemption of Undercover IG Operations from Certain Laws**

While the OIG's Office of Labor Racketeering (OLR) has budgeted funds for undercover operations, it lacks the authority to carry out some of the wide range of activities necessary to conduct effective undercover operations. The FBI and the Department of Treasury have a statutory exemption of undercover operations from certain laws. The OIG is seeking a similar exemption for OLR. Draft bill language has been forwarded to the Department's Office of Solicitor.

### **Hobbs Act Amendment and Implementation of Recommendations of the President's Commission on Organized Crime**

The OIG recommends that the Department support a Labor-Management Racketeering Act draft bill proposed by the Department of Justice which includes legislation that would make clear that the Hobbs Act punishes the actual or threatened use of force or violence to obtain property as part of a labor-management dispute. It would also implement the recommendations of the President's Commission on Organized Crime concerning bribery and graft in connection with labor, labor organization, and employee benefit plans, and convicted persons disqualified from employment.

**Chapter 5**

**Audit Schedules and Tables**



# **Money Owed the Department of Labor For the Period October 1, 1990 - March 31, 1991**

Program Name	Beginning Balance		Debt Established During Period	Collections During the Period				Writeoffs		Adjustments Due to:				Ending Balance	
				Cash	Offset	Other	Compromise	Termination	Appeals	Revised Management Decision	In Collection	Under Appeal			
										Allowed	Disallowed	Delinquent	Current		
ESA FECA Black Lung -Disability Trust Fund	21,380,222	4,233,084	15,141,830	11,251,401	0	0	0	1,131,008	0	0	1,166,384	14,004,155	8,493,341	4,708,847	
	5,569,411	118,798,878	15,562,772	9,426,002	0	0	0	4,688,099	0	0	1,867,203	5,150,879	0	118,798,878	
ETA CETA JTPA UI/SEA	53,502,653	53,738,247	1,631,983	1,671,388	70,495	37,451	1,020,695	2,049,298	1,625,520	2,071,196	27,601	48,312,317	3,915,087	50,143,031	
	3,063,787	19,955,783	5,439,052	650,160	166,738	10,400	0	0	1,478,663	4,756,574	3,171,060	3,132,933	1,931,874	17,916,794	
	11,928	71,428,442	313,235	31,570	0	1,906,380	0	0	161,546	0	-1,935,428	0	0	71,589,537	
MSHA Assessments/Mine Operator Civil Penalties	8,387,047	2,060,513	8,896,753	7,040,631	0	155,151	0	849,321	0	155,151	0	6,453,542	2,156,804	2,688,864	
OSHA Civil Penalties -From Business -From State Grantees	18,721,313	42,588,247	39,341,499	23,702,975	0	0	0	2,320,579	0	438,104	0	9,349,693	10,839,123	54,438,689	
	0	0	6,767	6,767	0	0	0	0	0	0	0	0	0	0	
BLS	33,866	0	456,233	309,679	0	0	0	0	0	0	0	177,820	2,600	0	
PWBA	0	0	568,662	251,862	0	0	0	0	0	0	0	230,300	86,500	0	
OASAM	313,872	0	2,660,598	2,706,560	0	0	0	0	0	0	0	235,052	32,858	0	
Total	110,964,099	312,803,194	90,019,384	57,048,995	237,233	2,109,382	1,020,695	11,038,305	3,265,729	7,421,025	4,296,820	87,046,691	27,458,187	320,284,640	

## **Explanations:**

Figures provided by agencies are estimates and are unaudited.

Differences between beginning balances on this schedule and ending balances on the prior period schedule result from adjustments made during the period.

Almost all delinquent debt has either been referred to DOJ for collection action or is in the process of referral.

Collections during the period includes: money which had been under appeal, subsequently had a debt established, and money collected.

## **Definitions:**

Collections: Includes cash, offsets, property, repayment agreements; any amount more than 30 days overdue is delinquent

Under appeal: Formal process in which program recipient/auditee appeals program agency's determination; amounts are "contingent" receivables--not available for collection

Write-Offs: Result from agency administrative procedures to write off uncollectible receivables, a/k/a bad debt

Adjustments due to appeals: Adjustments of contingent receivables which result from ALJ/Judicial process (includes agency actions overturned & compromises)

Adjustments due to audit resolution: Adjustments of contingent receivables which result from reclassification of disallowed costs based on documentation submitted after audit resolution

**Summary of Audit Activity of DOL Programs**  
**October 1, 1990 - March 31, 1991**

Agency	Reports Issued	Grant/Contract Amount Audited	Unsupported Costs <sup>1</sup>	Amount Recommended Disallowance
OSEC	1	0	0	0
VETS	10	\$791,689	\$13,494	0
ETA	143	\$427,853,827	\$102,523,082	\$6,419,962
ESA	5	\$698,954,213	\$3,116,539	0
OLMS	1	0	0	0
MSHA	5	\$412,070	0	0
OASAM	19	\$13,031,289	\$1,794,313	\$170,642
OIG	5	\$2,472,260	\$2,955	0
OSHA	7	\$4,618,658	\$1,799	0
BLS	1	72 <sup>0</sup>	0	0
PWBA	2	0	0	0
Multi-Agency	32	\$7,869,362,884	\$3,152,375	\$124,087
Other Agencies	3	0	0	0
Totals	234	\$9,017,496,890	\$110,604,557	\$6,714,691

<sup>1</sup>Unsupported Costs include \$100,000,000 in Funds Recommended for Better Use as reported in "Foreign Labor Certifications," Audit Report No. 09-91-001-03-321 and \$3,116,539 in Funds Recommended for Better Use as reported in "FECA Third Party Liability," Audit Report No. 02-91-232-04-431.

**Summary of Audit Activity of ETA Programs  
October 1, 1990 - March 31, 1991**

<b>Program</b>	<b>Reports Issued</b>	<b>Grant/Contract Amount Audited</b>	<b>Unsupported Costs</b>	<b>Amount Recommended Disallowance</b>
ADMIN	1	0	0	0
UIS	1	0	0	0
USES	1	\$366,721	0	0
FLC	1	0	\$100,000,000	0
OTAA	1	\$5,120,557	\$93,572	\$301,253
JTPA	15	\$93,148,852	\$1,774,104	\$6,066,183
CETA	3	\$3,416	\$3,416	0
OSTP	1	\$136,883	0	0
DINAP	83	\$24,391,217	\$142,519	\$37,208
DOWP	6	\$96,493,661	\$66,026	0
DSFP	16	\$20,418,393	\$34,592	\$4,142
OJC	12	\$184,970,355	\$300,164	\$11,176
OSPPD	2	\$2,803,772	\$108,689	0
Totals	143	\$427,853,827	\$102,523,082	\$6,419,962

Summary of Audits Performed Under the Single Audit Act  
October 1, 1990 - March 31, 1991

Agency	Entities Audited	Reports Issued	DOL Grant/Contract Amount Audited	Amount of Unsupported Costs	Amount Recommended Disallowance
VETS	1	9	\$791,689	\$13,494	0
ETA	52	116	\$196,326,295	\$130,675	\$41,350
MSHA	0	3	\$412,070	0	0
OSHA	5	5	\$4,618,658	\$1,799	0
Multi-Agency	11	31	\$3,169,362,884	\$3,152,375	\$124,087
Other Agencies	3	3	0	0	0
Totals	72	167	\$3,371,511,596	\$3,298,343	\$165,437

**Note:** DOL has cognizant responsibility for specific entities under the Single Audit Act. More than one audit report may have been transmitted or issued for an entity during this time period. Reports are transmitted or issued based on the type of funding and the agency/program responsible for resolution. During this period, DOL issued reports on 72 entities for which DOL was cognizant; in addition, DOL issued 92 reports which included direct DOL funds for which DOL was not cognizant.

**Summary of Audits Performed Under the Single Audit Act**  
**Multi-Agency Program Reports**  
**October 1, 1990 - March 31, 1991**

<b>Program</b>	<b>Number of Recommendations</b>	<b>Amount of Unsupported Costs</b>	<b>Amount Recommended Disallowance</b>
VETS:			
CONTR	1	\$2,004	0
ETA:			
UIS	3	\$4,747	0
USES	1	\$270	0
SESA	6	\$1,131,342	0
OTAA	4	\$64,900	0
JTPA	12	\$1,851,448	\$124,087
CETA	2	\$48,956	0
OSTP	2	\$5,163	0
DOWP	1	\$4,266	0
BLS:			
BLSG	1	\$39,279	0
Totals	33	\$3,152,375	\$124,087

**Note:** Multi-Agency Program Reports relate to Single Audit reports, with the exception of Audit Report No. 04-91-006-50-598 "Effectiveness of the Single Audit Act of 1984 in Providing Coverage to U.S. Department of Labor Funds." The report may be on a statewide audit where DOL has accepted "lead" cognizancy or it may be on a single entity under the direct responsibility of DOL. If multiple DOL programs were audited, the multi-agency designation was used. Individual recommendations within the report designate which agency/program is responsible for resolution. Thirty-three recommendations are contained within the 31 multi-agency reports issued this period.

AUDITS BY NON-FEDERAL AUDITORS  
PCIE SEMIANNUAL REPORTING - SUMMARY RESULTS OF IG REVIEWS  
SIX MONTHS ENDED 31-MAR-91

STATISTICAL TABLE	A-128/102-P AUDITS			A-133/110 AUDITS			GRAND TOTAL
	INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	INDEPENDENT PUBLIC ACCOUNTANT	STATE & LOCAL AUDITOR	TOTAL	
1. REPORTS ISSUED WITHOUT CHANGE OR WITH MINOR CHANGES A. BASED ON DESK REVIEW B. BASED ON QCR	114 3	31 0	145 3	13 1	0 0	13 1	158 4
TOTAL WITHOUT CHANGE OR WITH MINOR CHANGES	117	31	148	14	0	14	162
2. REPORTS ISSUED WITH MAJOR CHANGES A. BASED ON DESK REVIEW B. BASED ON QCR	4 1	0 0	4 1	0 0	0 0	0 0	4 1
TOTAL WITH MAJOR CHANGES	5	0	5	0	0	0	5
3. REPORTS WITH SIGNIFICANT INADEQUACIES A. BASED ON DESK REVIEW B. BASED ON QCR	4 1	0 0	4 1	0 0	0 0	0 0	4 1
TOTAL REPORTS WITH SIGNIFICANT INADEQUACIES	5	0	5	0	0	0	5
4. NUMBER OF AUDITORS REFERRED TO STATE BOARDS/AICPA	0	0	0	0	0	0	0
5. NUMBER OF AUDITORS WHICH OTHER SANCTIONS WERE TAKEN	0	0	0	0	0	0	0
6. UNSUPPORTED COSTS IN REPORTS WITH DIRECT FUNDED FINDINGS	175,217	3,160,949	3,336,166	33,835	0	33,835	3,370,001
7. SUSTAINED UNSUPPORTED COSTS	171,584	116,371	287,955	57,780	0	57,780	345,735
8. RECOVERED UNSUPPORTED COSTS	25,855	39,895	65,750	0	0	0	65,750
9. COSTS RECOMMENDED FOR DISALLOWANCE IN REPORTS WITH DIRECT FUNDED FINDINGS	41,350	124,087	165,437	0	0	0	165,437
10. SUSTAINED RECOMMENDED DISALLOWANCES	50,223	0	50,223	0	0	0	50,223
11. RECOVERED DISALLOWANCES	0	0	0	0	0	0	0

# Summary of Audit Resolution Activity October 1, 1990 - March 31, 1991

Agency/ Program	October 1, 1990			Issued (Increases)			Resolved (Decreases)			March 31, 1991		
	Balance Unresolved	Reports	Dollars	Reports	Dollars	Dollars	Reports	Allowed	Disallowed	Reports	Balance Unresolved	Dollars
OSEC	0	0	0	1	0	0	1	0	0	0	0	0
VETS	6	\$957,455		10	\$13,494		15	\$883,653	\$363,656	1	\$13,494	
ETA:												
ADMIN	2	\$467,666		1	0	0	1	0	0	2	\$467,666	
OFCMS	0	0	0	0	0	0	0	0	0	0	0	0
UIS	3	0	0	1	0	0	1	0	0	3	0	0
USES	0	0	0	1	0	0	0	0	0	1	0	0
FLC	0	0	0	1	\$100,000,000		0	0	0	1	\$100,000,000	
SESA	4	\$7,063,931		0	0	0	3	0	\$891,239	1	\$6,172,692	
OTAA	0	0	0	1	\$394,825		0	0	0	1	\$394,825	
JTPA	15	\$50,502,376		15	\$7,840,287		15	\$6,273,897	\$6,135,738	15	\$46,694,290	
CETA	8	\$1,693,862		3	\$3,416		9	\$1,508,264	\$185,598	2	\$3,416	
OSTP	0	0	0	1	0	0	1	0	0	0	0	0
DINAP	24	\$444,446		83	\$179,727		88	\$30,145	\$417,346	19	\$176,682	
DOWP	2	\$14,940		6	\$66,026		5	0	\$14,940	3	\$66,026	
DSFP	9	\$50,677		16	\$38,734		17	0	\$50,677	8	\$38,734	
OJC	6	\$45,865		12	\$311,340		13	\$32,714	\$10,793	5	\$313,698	
BAT	0	0	0	0	0	0	0	0	0	0	0	0
OSPPD	8	\$219,024		2	\$108,689		9	\$143,066	\$75,958	1	\$108,689	
ESA	1	0	0	5	\$3,116,539		3	0	0	3	\$3,116,539	
OLMS	0	0	0	1	0	0	1	0	0	0	0	0
MSHA	1	0	0	5	0	0	6	0	0	0	0	0
OASAM	12	\$24,182,301		19	\$1,964,955		13	\$680,813	\$13,495,870	18	\$11,970,573	
SOL	0	0	0	0	0	0	0	0	0	0	0	0
OIG	0	0	0	5	\$2,955		3	\$660	0	2	\$2,295	
OSHA	3	\$439,363		7	\$1,799		8	\$126,100	\$1,799	2	\$313,263	
BLS	0	0	0	1	0	0	1	0	0	0	0	0
PWBA	1	0	0	2	0	0	2	0	0	1	0	0
Multi-Agency	21	\$952,115		32	\$3,276,462		27	\$644,561	\$156,695	26	\$3,427,321	
Other Agencies	0	0	0	3	0	0	2	0	0	1	0	0
TOTAL	126	\$87,034,021		234	\$117,319,248		244	\$10,323,873	\$21,800,309	116	\$173,280,203	

DOLLARS represent both unsupported (inadequately documented) costs and questioned (alleged violation of law, regulation, contract, etc.; or unnecessary or unreasonable) costs.

DOLLARS ISSUED include \$103,116,539 in recommendations that funds be put to better use.

DISALLOWED COSTS include additional claim amounts by ETA of \$1,051,116. Additional claim amounts occur when the grant/contract officer disallows an amount in addition to the finding amount.

AUDIT RESOLUTION occurs when the program agency and the OIG agree on action to be taken on reported findings and determinations. Thus, this table does not represent any activity subsequent to management's final action such as results of the appeals process or program agency debt collections. Information such as this may be found in the Secretary's Report to Congress. See Chapter 6 for discussion on revision of prior management decisions.

DIFFERENCES between the beginning balance of this schedule and the ending balance of the previous *Semiannual Report* result from resolution of \$99,314,000 in Audit Report No. 12-90-012-03-315, "Federal Employees' Compensation Account" and other adjustments during the period.

**Summary of Audit Resolution Activity**  
**Unsupported Costs**  
**October 1, 1990 - March 31, 1991**

Agency/ Program	October 1, 1990			Issued (Increases)			Resolved (Decreases)			March 31, 1991		
	Balance Unresolved	Reports	Dollars	Reports	Dollars	Reports	Allowed	Disallowed	Reports	Balance Unresolved	Reports	Dollars
OSEC	0	0	0	0	0	0	0	0	0	0	0	0
VETS	1	\$29,781	1	1	\$13,494	1	0	\$29,781	1	\$13,494	1	\$13,494
ETA:												
ADMIN	1	\$467,666	0	0	0	0	0	0	1	\$467,666	1	\$467,666
OFCMS	0	0	0	0	0	0	0	0	0	0	0	0
UIS	0	0	0	0	0	0	0	0	0	0	0	0
SESA	2	\$6,174,365	0	0	0	1	0	\$1,673	1	\$6,172,692	1	\$6,172,692
OTAA	0	0	0	1	\$93,572	0	0	0	1	\$93,572	1	\$93,572
JTPA	11	\$50,412,221	4	4	\$1,774,104	9	\$6,273,897	\$6,045,583	6	\$40,628,107	6	\$40,628,107
CETA	8	\$1,693,862	2	2	\$3,416	8	\$1,508,264	\$185,598	2	\$3,416	2	\$3,416
DINAP	10	\$443,467	6	6	\$142,519	11	\$30,145	\$413,986	5	\$141,855	5	\$141,855
DOWP	1	\$14,940	1	1	\$66,026	1	0	\$14,940	1	\$66,026	1	\$66,026
DSFP	2	\$5,383	2	2	\$34,592	2	0	\$5,383	2	\$34,592	2	\$34,592
OJC	3	\$43,507	2	2	\$300,164	3	\$32,714	\$10,793	2	\$300,164	2	\$300,164
OSPPD	5	\$219,024	1	1	\$108,689	5	\$143,066	\$75,958	1	\$108,689	1	\$108,689
ESA	0	0	0	0	0	0	0	0	0	0	0	0
MSHA	0	0	0	0	0	0	0	0	0	0	0	0
OASAM	7	\$23,993,389	6	6	\$1,794,313	5	\$680,813	\$13,495,243	8	\$11,611,646	8	\$11,611,646
OIG	0	0	0	3	\$2,955	1	\$660	0	2	\$2,295	2	\$2,295
OSHA	2	\$439,363	1	1	\$1,799	2	\$126,100	\$1,799	1	\$313,263	1	\$313,263
Multi-Agency	10	\$952,115	12	12	\$3,152,375	8	\$644,561	\$156,695	14	\$3,303,234	14	\$3,303,234
Other Agency	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>63</b>	<b>\$84,889,083</b>	<b>42</b>	<b>42</b>	<b>\$7,488,018</b>	<b>57</b>	<b>\$9,440,220</b>	<b>\$20,437,432</b>	<b>48</b>	<b>\$63,260,711</b>	<b>48</b>	<b>\$63,260,711</b>

These unsupported costs are incorporated into the "Summary of Audit Resolution Activity" schedule on the previous page. They are broken out as required by P.L. 100-504.



**Status of Resolution Actions on Beginning Balance  
and Unresolved Audits Over 6 Months**

Agency/ Program	October 1, 1990 Balance Unresolved		Resolved (Decreases) <sup>1</sup>		March 31, 1991 Balance Unresolved <sup>2</sup>	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	0	0	0	0	0	0
VETS	6	\$957,455	6	\$957,455	0	0
ETA:						
ADMIN	2	\$467,666	0	0	2	\$467,666
UIS	3	0	1	0	2	0
SESA	4	\$7,063,931	3	\$891,239	1	\$6,172,692
JTPA	15	\$50,502,376	9	\$11,580,373	6	\$38,922,003
CETA	8	\$1,693,862	8	\$1,693,862	0	0
DINAP	24	\$444,446	24	\$444,446	0	0
DOWP	2	\$14,940	2	\$14,940	0	0
DSFP	9	\$50,677	7	\$50,677	2	0
OJC	6	\$45,865	5	\$43,507	1	\$2,358
OSPPD	8	\$219,024	8	\$219,024	0	0
ESA	1	0	1	0	0	0
OLMS	0	0	0	0	0	0
MSHA	1	0	1	0	0	0
OASAM	12	\$24,182,301	6	\$14,053,124	6	\$10,129,177
SOL	0	0	0	0	0	0
OIG	0	0	0	0	0	0
OSHA	3	\$439,363	2	\$126,100	1	\$313,263
BLS	0	0	0	0	0	0
PWBA	1	0	1	0	0	0
Multi-Agency	21	\$952,115	18	\$801,256	3	\$105,343
Other Agencies	0	0	0	0	0	0
<b>TOTALS</b>	<b>126</b>	<b>\$87,034,021</b>	<b>102</b>	<b>\$30,876,003</b>	<b>24</b>	<b>\$56,112,502</b>

<sup>1</sup>Reflects resolution activity for reports which are unresolved at the beginning of the period.

<sup>2</sup>Includes only those reports whose unresolved status exceeds 180 days.

See next schedule for breakout of "unsupported costs."

Ending Balance Unresolved includes \$6,279,035 under litigative hold.

**Status of Resolution Actions on Beginning Balance  
and Unresolved Audits Over 6 Months  
Unsupported Costs**

Agency/ Program	October 1, 1990 Balance Unresolved		Resolved (Decreases) <sup>1</sup>		March 31, 1991 Balance Unresolved <sup>2</sup>	
	Reports	Dollars	Reports	Dollars	Reports	Dollars
OSEC	0	0	0	0	0	0
VETS	1	\$29,781	1	\$29,781	0	0
ETA:						
ADMIN	1	\$467,666	0	0	1	\$467,666
UIS	0	0	0	0	0	0
SESA	2	\$6,174,365	1	\$1,673	1	\$6,172,692
JTPA	11	\$50,412,221	8	\$11,490,218	3	\$38,922,003
CETA	8	\$1,693,862	8	\$1,693,862	0	0
DINAP	10	\$443,467	10	\$443,467	0	0
DOWP	1	\$14,940	1	\$14,940	0	0
DSFP	2	\$5,383	2	\$5,383	0	0
OJC	3	\$43,507	3	\$43,507	0	0
OSPPD	5	\$219,024	5	\$219,024	0	0
ESA	0	0	0	0	0	0
OLMS	0	0	0	0	0	0
MSHA	0	0	0	0	0	0
OASAM	7	\$23,993,389	4	\$14,052,497	3	\$9,940,892
SOL	0	0	0	0	0	0
OIG	0	0	0	0	0	0
OSHA	2	\$439,363	1	\$126,100	1	\$313,263
BLS	0	0	0	0	0	0
PWBA	0	0	0	0	0	0
Multi-Agency	10	\$952,115	8	\$801,256	2	\$105,343
Other Agencies	0	0	0	0	0	0
<b>TOTALS</b>	<b>63</b>	<b>\$84,889,083</b>	<b>52</b>	<b>\$28,921,708</b>	<b>11</b>	<b>\$55,921,859</b>

<sup>1</sup>Reflects resolution activity for reports which are unresolved at the beginning of the period.

<sup>2</sup>Includes only those reports whose unresolved status exceeds 180 days.

These unsupported costs are incorporated into the "Status of Resolution on Beginning Balance and Unresolved Audits Over 6 Months" schedule on the previous page. They are broken out as required by P.L. 100-504.

**Unresolved Audits Over 6 Months  
October 1, 1990 - March 31, 1991**

<b>Agency</b>	<b>Program</b>	<b>Audit Report Number</b>	<b>Name of Audit/Auditee</b>	<b>No of Rec</b>	<b>Audit Exceptions</b>
<b>Under Litigation:</b>					
ETA	SESA	05-90-014-03-325	OHIO BUREAU OF EMPL SERVICES	7	\$6,172,692
MULTI	ALLDOL	03-89-083-50-598	COMMONWEALTH OF PA	5	\$105,343
<b>Awaiting Resolution:</b>					
ETA	ADMIN	12-90-017-03-001	FY 89 F/S; INTERNAL CONTROL <sup>1</sup>	2	0
ETA	ADMIN	19-90-001-03-001	EASTERN COMPUTERS, INC <sup>2</sup>	17	\$467,666
ETA	UIS	03-89-063-03-315	MD UI EXPERIENCE RATING <sup>3</sup>	3	0
ETA	UIS	03-89-063-03-315	UT UI EXPERIENCE RATING <sup>3</sup>	4	0
ETA	JTPA	02-90-229-03-340	PUERTO RICO II-A TRAINING <sup>4</sup>	3	0
ETA	JTPA	03-90-055-03-340	VIRGINIA EMPL & TRNG DEPT <sup>5</sup>	5	\$38,243,826
ETA	JTPA	05-90-045-03-340	KANSAS ADMINISTRATIVE SERVICE <sup>6</sup>	4	0
ETA	JTPA	05-90-058-03-340	GREATER FLINT OIC <sup>6</sup>	9	\$540,663
ETA	JTPA	06-90-001-03-340	BIG FIVE COMMUNITY <sup>6</sup>	10	\$137,514
ETA	JTPA	09-90-201-03-340	JTPA OUTCOMES - VENTURA <sup>6</sup>	1	0
OASAM	ADMIN	17-90-013-07-001	APPROPRIATION LAW REVIEW <sup>7</sup>	1	0
OASAM	COMP	19-90-008-07-710	DOLAR\$: PROGRESS & PROBLEMS <sup>8</sup>	2	0
OSHA	OSHAG	03-90-043-10-101	NEW DIRECTIONS GRANT <sup>9</sup>	5	\$313,263
MULTI	ALLDOL	09-90-599-50-598	HAWAII DOL <sup>10</sup>	1	0
<b>Pending Indirect Cost Negotiations:</b>					
ETA	OJC	12-89-073-03-370	VINNELL CORP <sup>11</sup>	1	\$2,358
OASAM	OPGM	05-90-049-07-735	ILLINOIS CMS, BCCS <sup>11</sup>	1	\$7,917,169
OASAM	OPGM	18-90-010-07-735	HOME BUILDERS INSTITUTE <sup>11</sup>	8	\$1,747,000
OASAM	OPGM	18-90-022-07-735	TAG - INDIRECT COSTS 86 & 87 <sup>11</sup>	6	\$188,285
OASAM	OPGM	18-90-028-07-735	HOME BUILDERS INSTITUTE <sup>11</sup>	9	\$276,723
<b>TOTAL AUDIT EXCEPTIONS:</b>				<b>104</b>	<b>\$56,112,502</b>

Notes are located on the following page.

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**Notes to "Unresolved Audits Over 6 Months Precluded From Resolution"**

<sup>1</sup>ETA does not concur with two OIG recommendations regarding cash management controls over grant drawdowns. OIG is currently evaluating new information provided by ETA relative to these recommendations.

<sup>2</sup>This is an ETA contract which is administered by the National Capital Service Center (NCSC). On several occasions, OIG has provided the NCSC with supplemental information and have met with its staff to discuss these audit findings. NCSC has not yet issued a Management Decision.

<sup>3</sup>ETA and the State involved are currently working to resolve these reports.

<sup>4</sup>Subsequent to SDA adjustments for availability in the 'administration' and 'participant support' cost categories, an OIG/ETA joint review disclosed actual misclassifications of training costs of \$18.4 million. ETA and Balance of State, Puerto Rico, have reached agreement on a formal settlement agreement; OIG concurs with the proposed settlement. ETA expects a formal resolution of this matter within 60 days.

<sup>5</sup>ETA and the Virginia Governor's Employment and Training Department are currently working on resolution of these administrative and internal control recommendations.

<sup>6</sup>The States have 180 days to issue a final Management Decision. ETA and OIG have an additional 180 days to accept the State-level decision.

<sup>7</sup>OASAM and OIG have agreed to request an opinion from GAO on the unresolved recommendation.

<sup>8</sup>OASAM and OIG are currently in disagreement over the extent of input controls necessary to provide reasonable assurance of system integrity once DOLAR\$ becomes the primary input point for the Department. OASAM and OIG are working to resolve these differences.

<sup>9</sup>OSHA expects that the final resolution of the audit will take place by the end of April 1991.

<sup>10</sup>OSHA and the Hawaii DOL are currently working to resolve this administrative finding.

<sup>11</sup>OMB Circular A-50 does not require resolution within 180 days.

# Summary of Final Action Activity October 1, 1990 - March 31, 1991

Agency Program	Oct. 1, 1990		Resolved (Increases)		Final Action (Decreases)		March 31, 1991	
	Balance No Final Action	Disallowed	Reports	Disallowed	Reports	Write-Offs	Balance No Final Action	Dollars
OSEC	1	0	1	0	1	0	1	0
VETS	1	0	15	\$363,656	11	\$2,548	5	\$361,108
ETA:								
ADMIN	6	0	1	0	1	0	6	0
OFAM	2	\$46,848,211	0	0	1	\$293,527	1	\$129,099
UIS	14	\$189,701,640	1	0	2	0	13	\$189,701,640
SESA	25	\$308,955,693	3	\$891,239	8	0	20	\$308,910,067
OTAA	1	\$1,911,839	0	0	0	0	1	\$1,911,839
JTPA	35	\$13,805,897	15	\$6,135,738	13	\$2,510,533	37	\$15,612,940
CETA	68	\$63,129,754	9	\$185,598	8	\$145,941	69	\$61,879,214
OSTP	21	\$6,111,390	1	0	2	\$25,998	20	\$6,059,392
DINAP	95	\$11,982,433	88	\$417,346	90	\$460,251	93	\$11,927,608
DOWP	6	\$914,156	5	\$14,940	5	0	6	\$914,156
DSFP	45	\$7,904,814	17	\$50,677	16	\$497,659	46	\$7,259,410
OJC	19	\$1,647,407	13	10,793	14	\$107,454	18	\$1,512,125
BAT	0	0	0	0	0	0	0	0
OSPPD	3	\$506,221	9	\$75,958	3	0	9	\$582,179
ESA	9	0	3	0	2	0	10	0
OLMS	0	0	1	0	1	0	0	0
MSHA	1	0	6	0	7	0	0	0
OASAM	22	\$858,202	13	\$13,495,870	12	0	23	\$13,526,724
SOL	0	0	0	0	0	0	0	0
OIG	0	0	3	0	3	0	0	0
OSHA	10	\$173,363	8	\$1,799	7	0	11	\$173,363
BLS	2	0	1	0	1	0	2	0
PWBA	1	0	2	0	1	0	2	0
Multi-Agency	31	\$3,321,083	27	\$156,695	18	0	40	\$3,455,327
Other Agency	1	0	2	0	3	0	0	0
TOTAL	419	\$657,772,103	244	\$21,800,309	230	\$4,043,911	433	\$623,916,191

AGENCY FINAL ACTIONS: An audit report is considered closed when management completes all actions necessary with respect to the audit findings and recommendations and reports that action to the OIG. If management concludes that no action is necessary, final action occurs when a management decision is made.

Section 106(b) of the Inspector General Amendments of 1988 (P.L. 100-504) requires that the Secretary of Labor report semiannually on the status of final actions on OIG recommendations for which management decisions have been made.

The resolved column of this schedule does not agree with the resolved schedule reported by the OIG. The difference is due to adjustments made during the period.

In a separate report, management will report to the Congress actions taken based on management decisions on OIG reports on questioned costs and recommendations that funds be put to better use. Management will also include statements on audit reports on which decisions were made but for which final actions are still incomplete after one year.

**Final Audit Reports Issued  
October 1, 1990 - March 31, 1991**

<b>Audit Report Number</b>	<b>Agency</b>	<b>Program</b>	<b>Date Sent to Program Agency</b>	<b>Name of Audit/Auditee</b>
02-91-224-02-210	VETS	VETSPM	27-MAR-91	Hartford, Connecticut A-128
02-90-247-03-345	ETA	CETA	24-OCT-90	Municipality of Naguabo A-128
02-90-248-03-345	ETA	CETA	24-OCT-90	Municipality of Naguabo A-128
02-90-256-03-345	ETA	CETA	16-OCT-90	Municipality of Cabo Rojo A-128
02-90-253-03-355*	ETA	DINAP	03-OCT-90	Central Maine Indian Assoc, Inc A-128
02-90-254-03-355*	ETA	DINAP	03-OCT-90	Central Maine Indian Assoc, Inc A-128
02-91-205-03-355*	ETA	DINAP	08-NOV-90	Abenaki Self-Help Assoc, Inc A-128
02-91-206-03-355*	ETA	DINAP	09-NOV-90	Abenaki Self-Help Assoc, Inc A-128
02-91-219-03-355*	ETA	DINAP	12-DEC-90	Mashpee Wampanoag Ind Trbl Cncl, Inc A-128
02-91-225-03-355	ETA	DINAP	29-MAR-91	North American Ind Club of Syracuse & Vicinity
02-91-223-03-365*	ETA	DSFP	06-FEB-91	New England Farm Workers' Cncl, Inc A-128
02-91-232-04-431	ESA	FECA	29-MAR-91	FECA Third Party Liability
02-90-246-07-711	OASAM	OA	29-MAR-91	Regional Imprest Fund
02-90-239-50-598*	MULTI	AL/DOL	29-OCT-90	Ntnl Urban League A-128
02-91-204-50-598	MULTI	AL/DOL	14-NOV-90	Massachusetts A-128
02-91-222-50-598	MULTI	AL/DOL	19-FEB-91	Maine A-128
02-91-227-50-598	MULTI	AL/DOL	28-MAR-91	Rhode Island and Providence Plantation A-128
03-91-028-03-340*	ETA	JTPA	18-MAR-91	Ntnl Assoc of Rehabilitation Facil Inc A-128
03-91-016-03-360*	ETA	DOWP	13-FEB-91	Green Thumb, Inc A-128
03-91-018-03-365*	ETA	DSFP	19-FEB-91	Assoc of Farmworker Opportunity Prog A-128
03-91-019-03-365*	ETA	DSFP	19-FEB-91	Assoc of Farmworker Opportunity Prog A-128
03-91-001-03-370	ETA	OJC	11-MAR-91	Pittsburgh JCC PY 87, 88, 89 Prog Results Stmts
03-91-002-03-370	ETA	OJC	25-MAR-91	PY 88 & 89 Prog Results Stmt and Compilation
03-91-007-03-370	ETA	OJC	29-MAR-91	Pittsburgh JCC Financial Stmt PY 87 & 88
03-91-013-03-370	ETA	OJC	09-JAN-91	USAFAC Allowance System
03-91-014-03-370	ETA	OJC	05-FEB-91	Pittsburgh JCC & Regional Office Review
03-91-017-03-370	ETA	OJC	15-MAR-91	Util of Facil Maintnce Resources Can Be Improved
03-91-023-03-370	ETA	OJC	15-MAR-91	San Diego JCC PY 88 Financial Rpt
03-91-024-03-370	ETA	OJC	15-MAR-91	San Diego JCC PY 89 Financial Rpt
03-91-008-04-432	ESA	LSHWC	21-FEB-91	LSHW Comp Act Spc Fund Financial Stmts FY 90
03-91-009-04-432	ESA	LSHWC	21-FEB-91	DC Workmen's Comp Act Spc Fund Fin Stmts FY 90
03-91-015-04-433	ESA	CMWC	29-MAR-91	Black Lung Acctg Subsystems Intrnl Cntrls Review
03-91-004-06-001	MSHA	ADMIN	05-NOV-90	MSHA Prog Statistics Compilation Report

## Final Audit Reports Issued October 1, 1990 - March 31, 1991

Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
03-91-020-10-101*	OSHA	OSHAG	22-FEB-91	Virginia Dept of Labor & Industry A-128
03-90-056-50-598	MULTI	AL/DOL	01-OCT-90	Delaware A-128
03-91-012-50-598	MULTI	AL/DOL	07-FEB-91	Pennsylvania A-128
03-91-021-50-589*	MULTI	AL/DOL	28-FEB-91	Virginia Employment Commission A-128
03-91-011-98-599*	OT AGY	NO/DOL	18-DEC-90	County of York, Pennsylvania A-128
04-91-001-02-210	VETS	VETSPM	09-OCT-90	Jacksonville, FL A-128
04-91-009-03-340	ETA	JTPA	15-OCT-90	JTPA-TAT Funds, Merritt & Company CPAs
04-91-020-03-350*	ETA	OSTP	17-JAN-91	Wake County, NC A-128
04-91-013-03-355*	ETA	DINAP	10-DEC-90	Lumbee Regional Development Assoc, Inc A-128
04-91-014-03-355*	ETA	DINAP	10-DEC-90	United South & Eastern Tribes, Inc A-128
04-91-015-03-355*	ETA	DINAP	17-DEC-90	United South & Eastern Tribes, Inc A-128
04-91-016-03-355*	ETA	DINAP	10-DEC-90	Cumberland Co Assoc for Indian People, Inc A-128
04-91-026-03-355*	ETA	DINAP	25-FEB-91	Guilford Native American Assoc Inc A-128
04-91-029-03-355	ETA	DINAP	11-MAR-91	Mississippi Band of Choctaws A-128
04-91-008-03-365*	ETA	DSFP	05-NOV-90	Kentucky Farmworker Prog, Inc A-128
04-91-018-03-365*	ETA	DSFP	04-JAN-91	Wil-low Nonprofit Housing Corp A-128
04-91-025-03-365*	ETA	DSFP	19-FEB-91	Telamon Corp A-128
04-91-021-06-601	MSHA	GRTEES	22-JAN-91	South Carolina Technical College A-128
04-91-011-10-101*	OSHA	OSHAG	16-NOV-90	National Asbestos Cncl A-128
04-91-019-10-101*	OSHA	OSHAG	16-JAN-91	Florida AFL/CIO United Labor Agency A-128
04-91-002-50-598	MULTI	AL/DOL	10-OCT-90	North Carolina A-128
04-91-003-50-598	MULTI	AL/DOL	11-OCT-90	Tennessee A-128
04-91-004-50-598	MULTI	AL/DOL	16-OCT-90	Florida A-128
04-91-006-50-598	MULTI	AL/DOL	29-MAR-91	Single Audit Act Coverage of DOL Funds
04-91-010-50-598*	MULTI	AL/DOL	16-NOV-90	Alabama Department of Industrial Relations A-128
04-91-012-50-598*	MULTI	AL/DOL	26-NOV-90	Alabama Department of Econ & Comm Affairs A-128
04-91-023-50-598*	MULTI	AL/DOL	30-JAN-91	South Carolina Office of the Governor A-128
04-91-027-50-598*	MULTI	AL/DOL	26-FEB-91	Georgia Department of Labor A-128
04-91-028-50-598*	MULTI	AL/DOL	06-MAR-91	Broward Employment and Training Admin A-128
04-91-007-98-599*	OT AGY	NO/DOL	05-NOV-90	Orange Co, FL A-128
04-91-022-98-599*	OT AGY	NO/DOL	30-JAN-91	Louisville, KY A-128
05-91-004-02-201	VETS	CONTR	06-NOV-90	St. Clair Co, IL A-128
05-91-013-02-201	VETS	CONTR	16-NOV-90	St. Clair Co, IL A-128
05-91-022-02-201	VETS	CONTR	16-NOV-90	St. Louis, MO A-218

**Final Audit Reports Issued**  
**October 1, 1990 - March 31, 1991**

<b>Audit Report Number</b>	<b>Agency</b>	<b>Program</b>	<b>Date Sent to Program Agency</b>	<b>Name of Audit/Auditee</b>
05-91-057-02-201	VETS	CONTR	16-NOV-90	Milwaukee Co, WI A-128
05-91-054-03-330	ETA	OTAA	29-MAR-91	Michigan ESC Trade Adjustment Assistance Admin
05-91-017-03-340	ETA	JTPA	19-NOV-90	Chicago, IL A-128
05-91-056-03-340	ETA	JTPA	29-MAR-91	OJT Perform Based Broker Contracts - Natl Sum
05-91-008-03-355	ETA	DINAP	16-NOV-90	Bois Forte Reservation Business Committee A-128
05-91-009-03-355	ETA	DINAP	05-NOV-90	Sault Ste Marie Tribe of Chippewa Indians A-128
05-91-010-03-355	ETA	DINAP	16-NOV-90	Stockbridge Munsee Community A-128
05-91-015-03-355	ETA	DINAP	19-NOV-90	Red Lake Band of Chippewa Indians A-128
05-91-016-03-355	ETA	DINAP	16-NOV-90	White Earth Indian Reservation A-128
05-91-019-03-355	ETA	DINAP	28-FEB-91	Lac Du Flambeau Band, Lk Super Chippewa A-128
05-91-020-03-355	ETA	DINAP	16-NOV-90	Mille Band of Chippewa Indians A-128
05-91-021-03-355	ETA	DINAP	16-NOV-90	Mille Lacs Band of Chippewa Indians A-128
05-91-023-03-355	ETA	DINAP	29-JAN-91	Oneida Tribe of Indians A-128
05-91-025-03-355	ETA	DINAP	28-FEB-91	Menominee Indian Tribe A-128
05-91-026-03-355	ETA	DINAP	28-FEB-91	Lac Courte Oreilles Tribal Cncl A-128
05-91-027-03-355	ETA	DINAP	24-JAN-91	Lac Courte Oreilles Tribal Cncl A-128
05-91-028-03-355	ETA	DINAP	28-JAN-91	White Earth Reservation A-128
05-91-029-03-355	ETA	DINAP	24-JAN-91	Fond Du Lac Reservation A-128
05-91-030-03-355	ETA	DINAP	01-MAR-91	Fond Du Lac Reservation A-128
05-91-031-03-355	ETA	DINAP	21-MAR-91	Sault Ste Marie Tribe of Chippewa Inds A-128
05-91-032-03-355	ETA	DINAP	05-MAR-91	Stockbridge Munsee Community A-128
05-91-033-03-355	ETA	DINAP	05-MAR-91	Red Lake Band of Chippewa Indians A-128
05-91-035-03-355	ETA	DINAP	21-MAR-91	Grand Traverse Band, Ottawa/Chippewa Inds A-128
05-91-036-03-355	ETA	DINAP	14-MAR-91	Lac Du Flambeau Band, Lk Super Chippewa A-128
05-91-037-03-355	ETA	DINAP	15-MAR-91	Wisconsin Winnebago Business Committee A-128
05-91-038-03-355*	ETA	DINAP	11-DEC-90	American Indian Cncl Employ and Trng Prog A-128
05-91-039-03-355*	ETA	DINAP	13-DEC-90	Wisconsin Indian Consortium A-128
05-91-050-03-355*	ETA	DINAP	31-DEC-90	Nebraska Indian Inter-Tribal Dev Corp A-128
05-91-005-03-360	ETA	DOWP	22-OCT-90	Iowa Department of Elder Affairs A-128
05-91-014-03-360	ETA	DOWP	19-NOV-90	Michigan Department of Mgmt and Budget A-128
05-91-018-03-360	ETA	DOWP	16-NOV-90	Indiana Department of Human Services A-128
05-91-047-03-360	ETA	DOWP	21-FEB-91	Indiana Department of Human Services A-128
05-91-011-03-365*	ETA	DSFP	17-OCT-90	Homes/Casas, Inc A-128
05-91-034-03-365	ETA	DSFP	19-MAR-91	Michigan Economics for Human Dev A-128
05-91-052-03-365*	ETA	DSFP	24-JAN-91	Illinois Migrant Cncl A-128
05-91-053-03-370	ETA	OJC	27-MAR-91	Cleveland JCC Special Purpose Review
05-91-024-03-380	ETA	OSPPD	28-JAN-91	Springfield, MO A-128
05-91-006-06-601	MSHA	GRTEES	22-OCT-90	Iowa Department of Education A-128



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05-91-007-06-601	MSHA	GRTEES	16-NOV-90	Illinois Department of Mines & Minerals A-128
05-91-061-07-711	OASAM	OA	19-FEB-91	Kansas City Regional OASAM Cash Count
05-91-002-50-598	MULTI	AL/DOL	29-NOV-90	Kansas A-128
05-91-003-50-598	MULTI	AL/DOL	19-NOV-90	Detroit, MI A-128
05-91-048-50-598	MULTI	AL/DOL	20-FEB-91	Iowa A-128
05-91-049-50-598	MULTI	AL/DOL	21-FEB-91	Minnesota A-128
05-91-051-50-598*	MULTI	AL/DOL	31-DEC-90	Nebraska Department of Labor A-128
05-91-060-50-598*	MULTI	AL/DOL	25-FEB-91	Michigan Employment Security Commission A-128
06-91-009-03-340	ETA	JTPA	06-FEB-91	JTPA Grant Fund Protection - New Orleans
06-91-010-03-340	ETA	JTPA	14-JAN-91	New Mexico JTPA Prog
06-91-011-03-340	ETA	JTPA	20-FEB-91	Louisiana Research & Dev Center
06-91-013-03-340	ETA	JTPA	29-MAR-91	National Alliance of Business
06-91-100-03-340*	ETA	JTPA	30-OCT-90	NW Community Action Prog of WY, Inc A-128
06-91-101-03-340*	ETA	JTPA	25-FEB-91	Association for Retarded Citizens A-128
06-91-103-03-355*	ETA	DINAP	02-NOV-90	Indian Center Employment Services, Inc A-128
06-91-107-03-355*	ETA	DINAP	07-DEC-90	Inter-Tribal Cncl of Louisiana, Inc A-128
06-91-108-03-355*	ETA	DINAP	15-JAN-91	American Indian Center of Arkansas A-128
06-91-109-03-355*	ETA	DINAP	05-FEB-91	National Indian Youth Cncl A-128
06-91-200-03-355	ETA	DINAP	12-OCT-90	Oglala Sioux Tribe A-128
06-91-202-03-355	ETA	DINAP	31-OCT-90	Seminole Nation of Oklahoma A-128
06-91-204-03-355	ETA	DINAP	01-NOV-90	Cheyenne & Arapaho Tribes of Oklahoma A-128
06-91-205-03-355	ETA	DINAP	15-NOV-90	Fort Belknap Community Cncl A-128
06-91-206-03-355	ETA	DINAP	15-NOV-90	Blackfeet Indian Tribal Corp A-128
06-91-207-03-355	ETA	DINAP	07-DEC-90	Chicksaw Nation A-128
06-91-208-03-355	ETA	DINAP	30-NOV-90	Alamo Navajo School Board, Inc A-128
06-91-209-03-355	ETA	DINAP	30-NOV-90	Choctaw Nation of Oklahoma A-128
06-91-210-03-355	ETA	DINAP	14-JAN-91	Ute Indian Tribe A-128
06-91-211-03-355	ETA	DINAP	14-JAN-91	Oglala Sioux Tribe A-128
06-91-212-03-355	ETA	DINAP	14-JAN-91	Pawnee Tribe A-128
06-91-214-03-355	ETA	DINAP	25-JAN-91	Tonkawa Tribe A-128
06-91-215-03-355	ETA	DINAP	25-JAN-91	Ponca Tribe A-128
06-91-216-03-355	ETA	DINAP	25-JAN-91	Assiniboine & Sioux Tribe A-128
06-91-217-03-355	ETA	DINAP	05-MAR-91	Alabama-Coushatta Indian Tribe A-128
06-91-218-03-355	ETA	DINAP	05-MAR-91	Ute Mountain Ute Tribe A-128
06-91-110-03-365*	ETA	DSFP	11-FEB-91	Home Education Livelihood Prog A-128
06-91-001-09-001	OIG	ADMIN	05-OCT-90	Metcalf, Zima & Co
06-91-002-09-001	OIG	ADMIN	16-NOV-90	O'Neal & Saul, P.A.
06-91-006-09-001	OIG	ADMIN	16-NOV-90	DeMiller, Denny, Word & Co
06-91-008-09-001	OIG	ADMIN	26-FEB-91	R. Navarro & Associates, Inc
06-91-012-09-001	OIG	ADMIN	12-FEB-91	Sorensen, May & Neilsen, P.C.

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
06-91-104-10-001*	OSHA	OSHAG	14-NOV-90	North Dakota Building & Construction Trades A-128
06-91-105-10-001*	OSHA	OSHAG	14-NOV-90	North Dakota Building & Construction Trades A-128
06-91-106-50-598*	MULTI	AL/DOL	06-DEC-90	Arkansas Department of Labor A-128
06-91-111-50-598*	MULTI	AL/DOL	13-FEB-91	New Mexico Department of Labor A-128
06-91-201-50-598	MULTI	AL/DOL	11-DEC-90	Louisiana A-128
06-91-203-50-598	MULTI	AL/DOL	05-NOV-90	South Dakota A-128
06-91-213-50-598	MULTI	AL/DOL	11-JAN-91	Oklahoma A-128
06-91-219-50-598	MULTI	AL/DOL	12-MAR-91	Montana A-128
09-91-010-01-001	OSEC	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-012-02-001	VETS	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-503-02-210*	VETS	VETSPM	22-OCT-90	San Diego R.E.T.C. A-128
09-91-513-02-210	VETS	VETSPM	27-NOV-90	North Valley Trng Consortium A-128
09-91-519-02-210	VETS	VETSPM	27-DEC-90	North Valley Trng Consortium A-128
09-91-013-03-001	ETA	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-200-03-315	ETA	UIS	20-MAR-91	WA State Self-Employ & Enterprise Dev
09-91-545-03-320	ETA	USES	29-MAR-91	Seattle-King County P.I.C. A-128
09-91-001-03-321	ETA	FLC	16-JAN-91	Foreign Labor Certifications
09-91-501-03-340*	ETA	JTPA	29-OCT-90	Dept of Community & Regional Affairs A-128
09-91-531-03-340	ETA	JTPA	31-JAN-91	Commonwealth of the Northern Marianas A-128
09-91-500-03-355*	ETA	DINAP	12-OCT-90	Salt River/Pima-Maricopa Indian Community A-128
09-91-502-03-355	ETA	DINAP	22-OCT-90	Shoshone-Bannock Tribes, Inc A-128
09-91-505-03-355*	ETA	DINAP	22-OCT-90	Organization of the Forgotten Americans A-128
09-91-506-03-355*	ETA	DINAP	19-OCT-90	Cook Inlet Tribal Cncl A-128
09-91-509-03-355*	ETA	DINAP	05-DEC-90	Indian Development District of AZ A-128
09-91-510-03-355	ETA	DINAP	07-NOV-90	Tule River Cncl A-128
09-91-511-03-355	ETA	DINAP	15-NOV-90	Puyallup Tribe of Indians A-128
09-91-514-03-355	ETA	DINAP	27-NOV-90	Lummi Business Cncl A-128
09-91-515.03-355	ETA	DINAP	27-NOV-90	Aleutian/Pribilof Islands Assoc A-128
09-91-516-03-355*	ETA	DINAP	27-DEC-90	Maniilaq Manpower A-128
09-91-517-03-355*	ETA	DINAP	08-JAN-91	Maniilaq Manpower A-128
09-91-518-03-355*	ETA	DINAP	19-FEB-91	American Indian Center of Santa Clara Valley A-128
09-91-520-03-355*	ETA	DINAP	03-JAN-91	American Indian Community Center A-128
09-91-521-03-355*	ETA	DINAP	08-JAN-91	United Indian Nations, Inc A-128
09-91-522-03-355*	ETA	DINAP	04-FEB-91	Indian Human Resource Center A-128
09-91-523-03-355	ETA	DINAP	03-JAN-91	The North Pacific Rim A-128
09-91-524-03-355*	ETA	DINAP	14-JAN-91	Phoenix Indian Center A-128

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09-91-527-03-355	ETA	DINAP	29-JAN-91	Inter Tribal Cncl of Nevada A-128
09-91-528-03-355	ETA	DINAP	29-JAN-91	Inter Tribal Cncl of Nevada A-128
09-91-529-03-355	ETA	DINAP	29-JAN-91	Inter Tribal Cncl of Nevada A-128
09-91-532-03-355	ETA	DINAP	31-JAN-91	Kodiak Area Native Assoc A-128
09-91-533-03-355	ETA	DINAP	14-FEB-91	Shoshone-Paiute Tribes Duck Valley Res A-128
09-91-539-03-355*	ETA	DINAP	26-MAR-91	Kootenai Tribe of Idaho A-128
09-91-540-03-355*	ETA	DINAP	26-MAR-91	Indian Development District of Arizona A-128
09-91-542-03-355	ETA	DINAP	26-MAR-91	San Carlos Apache Tribe A-128
09-91-543-03-355	ETA	DINAP	26-MAR-91	Cooperative Personnel Services A-128
09-91-544-03-355*	ETA	DINAP	25-MAR-91	Conf Tribes of Umatilla Res A-128
09-91-512-03-360*	ETA	DOWP	30-NOV-90	Nat Pac Asian Resource Ctr on Aging A-128
09-91-504-03-365*	ETA	DSFP	30-OCT-90	Proteus A-128
09-91-508-03-365	ETA	DSFP	01-NOV-90	Marion County Housing Authority A-128
09-91-525-03-365*	ETA	DSFP	14-JAN-91	Office of Rural and Farmworkers Housing A-128
09-91-534-03-365*	ETA	DSFP	27-MAR-91	Southern California Indian Center A-128
09-91-536-03-365*	ETA	DSFP	27-MAR-91	Maui Economic Opportunity A-128
09-91-538-03-365*	ETA	DSFP	27-MAR-91	Portable Practical Education Prep (PPEP) A-128
09-91-015-04-001	ESA	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-011-05-001	OLMS	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-016-06-001	MSHA	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-018-10-001	OSHA	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-014-11-001	BLS	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-017-12-001	PWBA	ADMIN	20-MAR-91	Analysis of User Fees in DOL Programs
09-91-002-12-121	PWBA	ENFORC	25-FEB-91	PWBA Exemption Function
09-91-507-50-598	MULTI	AL/DOL	26-NOV-90	Arizona DES A-128
09-91-526-50-598	MULTI	AL/DOL	11-FEB-91	California A-128
09-91-535-50-598	MULTI	AL/DOL	01-MAR-91	Nevada A-128
09-91-537-50-598	MULTI	AL/DOL	18-MAR-91	Federated States of Micronesia A-128
12-91-001-03-380	ETA	OSPPD	22-MAR-91	A.T. Kearney-Centaur Division
12-91-011-07-001	OASAM	ADMIN	28-MAR-91	Internal Controls Do Not Reasonably Assure Reliable General Ledger Balances

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Audit Report Number	Agency	Program	Date Sent to Program Agency	Name of Audit/Auditee
12-91-012-07-001	OASAM	ADMIN	06-FEB-91	DOL FY 89 Financial Stmts & Related Reports
12-91-020-07-001	OASAM	ADMIN	28-MAR-91	Financial Reporting Capability of DOLAR\$
17-90-018-07-001	OASAM	ADMIN	15-MAR-91	89 Mgmt Ctrls over Consultants/Year-End Spending
17-90-005-10-001	OSHA	ADMIN	01-OCT-90	OSHA Effect of Procured Goods and Services
18-91-009-03-340	ETA	JTPA	03-DEC-90	Opportunities Industrialization Centers of America
18-91-015-03-340	ETA	JTPA	18-DEC-90	ORO Development Corp
18-91-016-03-340	ETA	JTPA	18-DEC-90	ORO Development Corp-Agreed Upon Procedures
18-91-001-03-370	ETA	OJC	04-DEC-90	Executive Compensation -- JCC Operators
18-91-010-03-370	ETA	OJC	18-DEC-90	Mingo JCC
18-91-023-03-370	ETA	OJC	28-MAR-91	Women in Community Service, Inc
18-91-003-07-735	OASAM	OPGM	19-OCT-90	National Cncl of Senior Citizens
18-91-007-07-735	OASAM	OPGM	28-MAR-91	TAG, Inc Indirect Costs 1/1/89-9/10/89
18-91-008-07-735	OASAM	OPGM	01-NOV-90	California Human Development Corp
18-91-012-07-735	OASAM	OPGM	04-DEC-90	AKA Sorority - Agreed Upon Procedures 91 G&A
18-91-013-07-735	OASAM	OPGM	05-FEB-91	AKA Sorority, Inc CY 89 G&A
18-91-014-07-735	OASAM	OPGM	12-DEC-90	Proteus Inc
18-91-020-07-735	OASAM	OPGM	12-MAR-91	John Gray Institute
18-91-022-07-735	OASAM	OPGM	12-MAR-91	John Gray Institute
18-91-024-07-735	OASAM	OPGM	21-MAR-91	National Governors' Association
19-90-011-07-001	OASAM	ADMIN	03-JAN-91	Dimensions International
19-91-002-07-001	OASAM	ADMIN	29-MAR-91	DOL Microcomputers
19-90-008-07-710	OASAM	COMP	01-OCT-90	DOLAR\$: Progress and Problems
19-91-001-07-720	OASAM	DIRM	29-JAN-91	DOL Local Area Ntwrks Raise Departmental Issues

\*DOL has cognizant responsibility for specific entities under the Single Audit Act. Reports listed and asterisked above indicate those entities for which DOL has cognizance. More than one audit report may have been issued or transmitted for an entity during this time period. Reports are issued or transmitted based on the type of funding and the agency/program responsible for resolution. With the exception of Audit Report No. 04-91-006-50-598 "Effectiveness of the Single Audit Act of 1984 in Providing Coverage to U.S. Department of Labor Funds," multi-agency reports with a designation of "50-598" relate to Single Audit reports only.

## Abbreviations Used in this Report

ADMIN	Agency Administration
AICPA	American Institute of Certified Public Accountants
AL/DOL	All DOL agencies involved in the audit
ASAM	Assistant Secretary for Administration and Management
BAT	Bureau of Apprenticeship Training (ETA)
BL	Black Lung Benefits Program (ESA)
BLDTF	Black Lung Disability Trust Fund (ESA)
BLS	Bureau of Labor Statistics
CETA	Comprehensive Employment and Training Act (ETA)
CMWC	Coal Mine Workers' Compensation (ESA)
COMP	Comptroller
DBRA	Davis Bacon and Related Acts
DFEC	Division of Federal Employees' Compensation (ESA)
DINAP	Division of Indian and Native American Programs (ETA)
DIRM	Directorate of Information Resources Management (OASAM)
DOJ	Department of Justice
DOL	Department of Labor
DOLAR\$	Department of Labor Accounting Related Systems (OASAM)
DOWP	Division of Older Workers Program (ETA)
DSFP	Division of Seasonal Farmworker Programs (ETA)
DVOP	Disabled Veterans Outreach Program (VETS)
ECN	Executive Computer Network
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FECA	Federal Employees' Compensation Act
FMFIA	Federal Managers' Financial Integrity Act
FLC	Foreign Labor Certification
GAO	Government Accounting Office
GAAP	Generally Accepted Accounting Principles
GRTEES	Grantees
ILO	International Labor Organization
ILAB	Bureau of International Labor Affairs
ILGWU	International Ladies Garment Workers' Union
JFMIP	Joint Financial Management Improvement Program
JTPA	Job Training Partnership Act (ETA)
LAN	Local Area Network
LMRDA	Labor Management Reporting and Disclosure Act
MEWA	Multiple Employer Welfare Arrangement
MSHA	Mine Safety and Health Administration
MSHAG	Mine Safety and Health Administration Grantees
NCOA	National Council on the Aging
NO/DOL	No DOL funds involved in the audit
OASAM	Office of Assistant Secretary for Administration and Management
OI	Office of Investigations (OIG)
OIC/A	Opportunities Industrial Centers of America, Inc.
OIG	Office of Inspector General
OJC	Office of Job Corps
OJT	On-the-Job Training
OLMS	Office of Labor-Management Standards
OLR	Office of Labor Racketeering (OIG)

OMB	Office of Management and Budget
OPGM	Office of Procurement and Grant Management (OASAM)
ORMLA	Office of Resource Management and Legislative Assessment (OIG)
OSEC	Office of the Secretary
OSHA	Occupational Safety and Health Administration
OSHAG	Occupational Safety and Health Administration Grantees
OT AGY	Agency other than DOL
OWCP	Office of Workers' Compensation Programs (ESA)
PFCRA	Program Fraud Civil Remedies Act of 1986
PIC	Private Industry Council
PWBA	Pension and Welfare Benefits Administration
SESA	State Employment Security Agency
SOL	Solicitor of Labor
SPPD	Strategic Planning and Policy Development Office (ETA)
TAA	Trade Adjustment Act
UIS	Unemployment Insurance Service (ESA)
VETS	Veterans' Employment and Training Services

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